G.R.S. IX—5]

Previous references. 1921.

(G.7.)

File No. 6-21.

Serial Nos. 1-19, 47 & 48

Later references.

Preserve
27.10.43

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 21

Part B for August 1921.

SUBJECT

The 7% & 6½% State Loans of 1921.

A. McLean.

2-178
E

G. R. S. III—1] 1921—22

GENERAL AND REVENUE SECRETARIAT.

(G.-F.)

NOTES.

File No. 6—21

The 7% & 6½%

STATE LOANS of 1921.

From

No.	Dated	Received

Diary No.	Enclos.	Spare Copies.	Serial No.

BRIEF ABSTRACT OF LETTER.

NOTES AND ORDERS.

Notes—First Sheet.

G.F. 6-21 2

17th March 1921.

Financial Secretary's note dated 17th March 1921

~~Draft.~~

In presenting to the Legislative Council the Financial Statement of the Government of Madras, the Hon'ble Mr. Todhunter made the following statement: "The Government were "advised that it would not be possible for -- "them to raise money until July or August and "that if they went to the market then, they "would have to do so, immediately after the "raising of a large Government of India Loan; "nor were the Government of India prepared to "guarantee that they would be allowed to offer "so high a rate of interest as was locally "thought to be necessary." This points to the probability of an early loan campaign by the Government of India.

We have to consider our own position in regard to borrowing in relation to the Government of India floatation foreshadowed in Mr. Todhunter's statement. As I have explained in my note on the Capital Budget for 1921-22, borrowing in the next year is a necessity. What amount should be raised is under the consideration of the Council. Considering the conditions of the money market, our demand shd. be limited to the irreducible minimum. Should our loan operations prove more successful than we can anticipate now, we can easily expand the capital programmes and provide for a quicker completion of the works in progress. If the Government of India enter the money market earlier

earlier this year as appears to be likely from what is stated above, we should be prepared with arrangements to make our own -- floatation about the same time. Otherwise funds available for investment even within the State would be absorbed by the Governmen of India loan. It is even probable, should the terms of the Government of India issue be attractive, that there may be heavy withdrawals from our Savings Banks. Instead of getting money for meeting our own demands, w may have to find money for repaying Savings Bank deposits. It is therefore necessary to announce our loan before or at about the sam time the Government of India loan list is op How long our loan should be open would depend upon the period during which the Government of India loan will be open for subscription. The response from outside the State to our last loan was by no means large and yet we cannot, I think, give up the outside market altogether, as the prospects of our being --- able to obtain the whole amount that we want within the State itself are by no means reassuring. It will therefore be necessary to wait until the Government of India have retired from the field and then accept subscrip tions from investors outside the State.

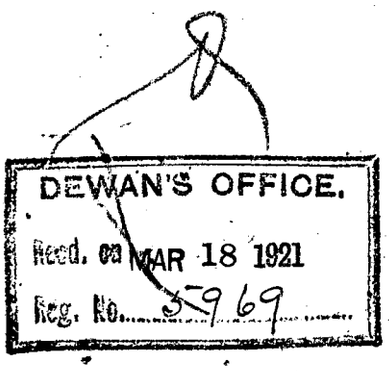
What should be the terms of our loan is a very difficult point on which I think it is not immediately possible to arrive at any decision. It seems to me to be necessary to take expert advice on this point, by consulting some eminent financiers like Mr Dalal of Bombay.

3605

Flag V
has no
to be entered

In our letter No. 150 dated 12-8-20 we have informed the Residency that there is no need for the sanction of the Govt. of India for floating a loan within the State. That sanction is only necessary to our accepting subscriptions from ~~inves~~ investors in British India. I would in these circumstances, propose that a communication may be addressed to the Residency stating that for financing our productive public works now in progress, we contemplate raising a public loan at a time suitable for such floatation and that the sanction of the Government of India may kindly be obtained for our throwing open the loan to investors outside the State, after the ---- lists for the next loan of the Government of India are closed.

(now 14)
Dewan
17.3.21



Dewan

This question was discussed at the last meeting of the Council at which a decision was arrived at. The Fin. Sec. will please put up a Draft letter to the Residency, which may be considered at the next meeting of the Council on the 24th inst.

M.K.
19.3.21

This question was discussed at the last meeting of the Council at which a decision was arrived at. The Fin. Sec. will please put up a draft letter to the Residency, which may be considered at the next meeting of the Council on the 24th inst.

M.K.
19.3.21

(4)

3605

G. R. S. III-2]

General and Revenue Secretariat. | File No. 6 of 1921.

Serial No.

I beg to state that Mr. Krishna Rao is now on leave and is expected to return on the 26th instant. As I could not meet him before he left Bangalore, I do not exactly know the decision arrived at in Counc and the lines upon which the draft has to be put up. The subject matter being an important one, I would r quest orders as to whether the file may be kept till his return.

DEWAN'S OFFICE.
Rcd. on MAR 22 1921
No. 6011

(D E W A N)

18
21.3.21

I put up a draft ~~of a~~ D.O. to the Residenc

It is not proposed to apply for specific permission to ext our loan to British India. This question was dis cussed at great length on the last occasion and t understanding arrived at was that our rights to f a loan within the State ~~are~~ is unfettered and that w may accept subscriptions from investors outside t State, when there is no loan of the Government c India itself on the market. The proposed communi tion is in the nature of a simple report to t h Residency.

As I have already stated in my note date 17th instant, the terms of loan require to be s in consultation with authorities in close touch with

NOTE—Contn. sheet.

5

Serial No.

with the money market. I have accordingly proposed to address Mr. Dalal for advice.

DEWAN'S OFFICE.
Regd. on MAR 26 1921
Reg. No. 6080.

D E W A N.)

M.N.K. note 26/3/21

Keep office. A.G.S. in any case

28.3.21

DSN Contact Dewan

note 28.3.21

Keep office & follow up

29.3.21

Submitted to His Highness.

The reduction in the rate of interest of the Imperial Bank of India from 7 to 6 % -- unusual at this time of the year -- and some statements made by the Finance Member of the Government of Madras in presenting the Budget to the Legislative --- Council of that Government point to an early flotation of a loan by the Government of Insia. We have also to take action as regards our own loan flotation. According to the arrangement arrived at in connection with the last loan, we cannot accept subscriptions from investors in British India when a loan of the Government of India is on offer. If we do not announce our loan at about the time that the Government of India open their loan list, -- there is the risk of the available capital within the State being diverted to the Government of India loan and it may even happen should the terms of the Government of India loan be very attractive that we may have to find money for financing withdrawals from Savings Banks for subscribing to the Government of India loan. In these circumstances, we have to make preliminary arrangements necessary for raising our next loan. It is accordingly proposed to inform the Residency that it is necessary for us to raise another public loan, that we shall do so at a time suitable for the flotation and that we shall only accept subscriptions from investors outside the State after the loan list of the Government of India is closed. It is also proposed to consult Mr. D.M.Dalal of Bombay as regards the terms which we should offer to make the loan a success. It is unlikely that the whole amount of about a crore that we require can be subscribed within the State itself. It is necessary to get subscriptions from outside and Bombay is the most resourceful market in India. It is therefore proposed to obtain

the

(7)

CONFIDENTIAL.

Record of Cases submitted for the Orders of His Highness the Maharaja.

Subject.

Preliminary arrangements for raising the next Mysore Loan.

Order.

~~K R W~~
31/3/21

H. Ly. Please write the formal additions in the draft Letter
2.4.21

I have made the necessary corrections & alterations in the draft to the Resident & resubmit the file herewith. Issue of the two drafts
2.4.21

Fair copies of the drafts approved by the Dewan, have issued.
2/4/21

G. R. S. III-2]

10

General and Revenue Secretariat.	File No.	of 19

Serial No.	
1	To The Hon'ble the President D.O.583 R/2-4-21 — Intimating of the Baba's intention to float a loan only.
2	To Mr. D.N. Dalal — Bombay — D.O.584 R/2-4-21 — consulting him regarding the floatation of a loan.

G. R. S. III-2j

General and Revenue Secretariat. | File No. of 191 .

Serial No.

Loan 1921-22.

We have written to Mr. D.M.Dalal for advice in regard to the terms of ~~xxx~~ issue of our next loan. It is necessary to consult ~~the~~ a local authorities in regard to the state of the money market in the State and the conditions of the issue likely to appeal to investors in that market. I accordingly propose to address Mr. Rose of the Bank of Mysore as in the draft placed below.

M. N. K.
2-4-21

D E W A N.)

2-4-21

2-4-21

D.O. letter Rose issued on 4.4.21.

3 To Mr. W.C. Rose, Bangalore — D.O. No. 8, 4-4-21 — Consults him regarding the floatation of a loan.

Serial No.

4 From the Resident. D.O.No 3398 dated 7.4.21.

With reference to the above calls for further particulars.

~~Fair copy. Note on file.~~

I put up a draft reply to the above D.O.

(Sd) M.K.
7.4.21

Dewan)

Approved by the Dewan. Fair copy signed by the Dewan has issued.

7.4.21.

5 To the F.O.R.

D.O No 596-D 7.4.21.

States that the exact date of floatation is not yet settled that the loan will be thrown open to the public after close of the G.of.I. loan.

6 From the F.O.R. D.O.D: 12.4.21
calls for detailed information—

~~Letter D: 18.4.21 from D.M. Dalal~~

7 From the manager Bank of Mysore Letter D: 18 4/21
offers his views on
the proposed loans.

8 Letter D. 18.4/21 from D.M. Dalal &c

G. R. S. III-2)

General and Revenue Secretariat. | File No. | of 191

Serial No.

Mr. Dalal was consulted with the permission o
His Highness and it appears to be desirable to submit
his letter also for the information of His Highness.
I accordingly put up a draft D.O. to the Private Secretary. 4/4/21

D e w a n.)

22-4-21

Dewan)

23-4-21

23.4.21

23/4/21.

9 Do Mr Dalal of Bombay
D. O. No. 46. dated 23. 4/21
Acknowledge receipt of his letter dt 8 4/21
and thanks him for his ready compliance.

10 Dc Mr Sturgis Secy
D.O. No 47. dated 23.4.21.
Encloses for information copy of Mr Dalal's letter dt 8 4/21
and the copy of Mr Rose's letter of 16 4/21

13

G. R. S. III-2]

General and Revenue Secretariat. | File No. of 19

Serial No.

At the last meeting of the Council, it was decided to balance the budget and the notes of discussion drawn up by me have not yet been aproved. As Col. Knox's letter has long remained unanswered, I put up a draft reply for consideration.

The draft assumes that at any cost the budget for next year will be balanced. As regards the terms of the loan I have put forward only tentative proposals and stated definitely that they are provisional and may be altered. I have stated that we would, if necessary go in for two kinds of loans, a short-ter one and a long-term one to suit the requirements of investors who are generally of two classes, those wh want the certainty of a fixed income for as long a period as possible and those who want to realise -- their investments as a matter of certainty within as short a period as possible. As I explained to the Council in person, we can decide upon the exact terms of our loan only after we know those of the next loan of the Government of India.

Dewan) 3.5.21

Please circulate to Hon members & arrange for consideration at the next meeting of Council. Draft reply is enclosed herein (14)

To The Chief Secy with compliments 4.5.21 4.5.21

Circulate as an urgent matter & include in urgent list for the 9th 5.5.21

C627.

Urgent Subject. - 3 15.

Draft reply to the Residency regarding the next Mysore Loan.

.....

Opinion of the Council.

Draft for revised fair copy.

K.M 9/5/21

Financial Secy.
with Compliments.

K.M 10/5

A revised draft is put up. Attention is invited to para 6 of the letter No. Pol. 200 dated the 13th August 1920 to the First Asst. Resident. It is in accordance with this understanding that it has been proposed to accept outside subscriptions after the next Government of India loan is floated.

M.N.K 10/5/21

K.M 11/5/21

Dewan)

15

65

(17)

Submitted to His Highness.

...

I beg to submit for His Highness' gracious approval draft of a letter proposed to be sent to the Hon'ble the Resident in reply to his letter of the 12th April 1921 regarding the next Mysore Loan.

12th May 1921

C-627 VII

Confidential.

Record of Cases submitted for the Orders of His Highness the Maharaja.

Subject.

Draft Reply to the Residency regarding the Next Mysore Loan.

Order.

KRW

17/5/21

Note to Press

The remarks on this page should be brought below the title.

Confidential

GOVERNMENT OF MYSORE

Fern Hill Palace,
Fern Hill (Nilgiris)
19th May 1921.

My dear Sir,

I am directed to return the accompanying file and to say that His Highness cannot help feeling that the draft reply to the Residency does not give sufficient information about the large productive works undertaken by the Durbar. The Resident has definitely asked not only for a list of such works, but for expert opinions as to their productiveness and the grounds on which such opinions are held. It may be that such a demand is unreasonable but the draft reply gives no reasons for withholding the detailed information asked for. Would it not be possible to satisfy the Resident on this point either at a personal interview or by including some more information on these points? It would be sufficient, His Highness thinks, to quote expert opinions such as those of Messrs. Marshall and Perin and our Chief Engineers, without troubling about the grounds on which those opinions are held.

His Highness approves of the remainder of the draft and leaves it to you to amplify it on the lines above suggested. As the matter is urgent, I am to say that the papers need not be re-submitted for His Highness's orders.

Yours sincerely,

Rajasevadhurina

Sirdar M. Kantaraj Urs, C.S.I.,

Bangalore.

[S. III-2]

General and Revenue Secretariat. | File No. of 19

Serial No.

~~From the Press D.O. 24-5-21~~

This requires approval of the Devas
shall be prepared for his signature
yrs &c; but before sending it up
for signature, Mr Jobs sent me his
note enclosed from which it appears
that the draft requires modifications
under the 2 sections dealing &
Electrical & Engrs —

(18 Memos) 23/6/21

I have gone thro Mr. Jobs's note
since & shall be glad to speak to the
Ch. Engr about the revision of the Comp.
Report & the Resolt.

Reed
23.5.21.

To ~~The Hon'ble Secy to Govt~~ —
D.O. H.T.R. 22-4-21 —

The paragraphs relating to Electrical
works of K. R. S. works, have been since
revised in consultation with Mr. Jobs
& the Supdt., as it now stands, will be
correct in all details.

Reed
23.5.21.

x x x

To The Hon'ble the Resident — D.O. No. A
Camp dated 24-5-21 —
furnishes the information
called for in his D.O.
12-4-21.

Copy sent to Ch. Engr ~~for~~ ~~information~~
for information & N.A.
24.5.21

Camp, 24/5. This may be sent to the Chief Engr
3/6/21
3.6.21

NOTE—Contra sheet.

R. S. III-2]

General and Revenue Secretariat. | File No. of 19

Serial No.

Loan - 1921.

The long expected loan of the Government of India has just been announced. I put up the notification dated the 6th June 1921. The Government of India have issued two loans: one of 5 years, another of 10 years, both carrying the same rate of interest 6 %, Tax free.

The Government of India loan will be open from the 20th instant to 30th July 1921. Our loan also will have to be announced soon to prevent any part of the loanable capital in the State seeking investment in Government securities being absorbed by the Government of India loan. On the last occasion, we announced our loan for subscription within the State in the first instance while the Government of India loan was on offer and we have informed the Government of India that it is within our competence to issue our loans within the State at any time convenient to us. As the Residency has been addressed in regard to our next loan, I request orders whether it is necessary to wait until we hear in reply from them for announcing the loan within the State. If we may adopt the procedure which we followed on the previous occasion, I shall submit the draft loan notification for approval.

~~Now that the terms of the Government of India~~ loans

Dewan) I have informed the Resident that we are ready to float our loan with effect from 5.6.21

G. R. S. III-2]

24

General and Revenue Secretariat.

File No. of 19

Serial No.

He has telephoned from abroad 6 Aug 2021 & requested 6 days. We are not bound to wait for any permission. However as we have no time limit, we may kindly wait for 7 to 8 days before putting up Note. Once 6 weeks' period is over then we may proceed with Note. Meanwhile we may be ready to submit at once. It has to be routed thru Hon'ble Law Minister, after concurrence in Council

(A. Ley) 10.8.21

G. R. S. III-2]

General and Revenue Secretariat. | File No. of 19

Serial No.

I put up a draft notification announcing the ~~xxxxx~~ loan terms.

As I have already proposed, I consider it necessary to offer two kinds of loans, (1) a short-term loan, and (2) a long-term loan. In making this suggestion, I have two objects in view:-

(i) Our loan should provide the means of investment both for those who desire a security, the capital value of which cannot depreciate for a long period and those who want the certainty of as a high rate of return as they can get for as long a period as possible.

(ii) We have now three previous ~~years~~ issues, viz., 4 %, 5½ % and 6¼ % Bonds. The holders of these bonds belong to the class of investors on whom we should rely largely for response to our present loan. It should therefore be our aim to enlist the active goodwill of this class of investors and this cannot be done unless conversion rights are allowed to them and such rights can be provided for only by means of a long term loan.

Both the loans of the Government of India which will be on offer from the 20th instant are short-term maturities and I understand that the Government of Bombay who, it was expected, would place another instalment of their 15 year Development Loan carrying 6½ % interest free of tax on the market as soon as the Government of India loan list was closed, will not

do so this year. There is now no issue by any Government in India for capital seeking investment in a fairly long term loan and we have therefore an opportunity for diverting such capital into our loan. This is another reason in support of my proposal for a long-term one.

In the light of present conditions and of the terms of the Government of India loans, I have very carefully considered whether the rates of interest provisionally proposed for our two loans in our correspondence with the Residency do not require revision and I have come to the conclusion that the rates already suggested are quite necessary for obtaining some fair response to our appeal to the investing public.

I would invite attention in this connection to Mr. D.M.Dalal's opinion conveyed in his letter of the 18th April 1921. He was aware when he wrote this letter that the Government of India loan of this year would carry only 6 % interest and in spit of this fact he advised us to offer for our loan -- interest at 6½ % free of tax. For the long-term loan I have proposed only this rate.

As regards the currency of this loan, Mr. Dalal recommended a period of 30-50 years which, I consider, is unduly long for allowing the high rate

of

Serial No.

of 6½ %. I have therefore proposed to reduce the period to 20-30 years, reserving option to us to redeem the debt at any time between 20 and 30 years. What the future course of interest is likely to be, it is impossible to foresee but it is reasonable to hope that it will go down sooner or later. It is, therefore, desirable to shorten the period of currency of the long-term loan as far as possible and it is with this object that I have placed at 20 years the minimum period during which investors are guaranteed the rate of 6½ % tax free. Our 6¼ % loan ~~was~~ is a 20 year issue and the Development Loan of the Government of Bombay has a currency of 15 years.

The rate of interest for the short term loan should obviously be slightly better than that for the long term loan and the question is whether it should be 6¾ % or 7 %. I think it is necessary to allow 7 % as the increase over the long-term rate should be sufficient to make the short-term issue a success.

In the notification inviting subscriptions to our last loan, no mention was made that a Sinking Fund would be formed for the discharge of debt. This was considered as an omission in some quarters and doubts were also entertained as to whether Government would make adequate provision for the redemption of the loan. I have, therefore, supplied this omission

in

in the present notification by making the definite statement that Sinking Funds will be built up for the repayment of both the Loans of this year.

I have proposed that conversion privileges -- should be offered to the holders of all our previous issues, of course, on different conditions. The 4 % loan is repayable on 1st October 1921 and the bonds o this loan should therefore be treated as cash. I hav accordingly proposed to accept them at par with n o cash subscription in addition. The 5½ % conversion loan is a 10-25 year issue and the interest on it is not exempt from income-tax and the bonds of this loa are accordingly at a discount. I have, however, pro posed to accept them at par on condition that their holders tender an equivalent amount in cash. T h e acceptance of these bonds at par may look somewhat - too generous. The investors in these bonds bitterly complained on the occasion of our last loan that the holding was not accepted at par as subscription to the 6¼ % loan. The 5½ % Conversion Loan was issued a few months before the 6¼ % loan was floated a n d there was accordingly some ground for complaint b y holders of bonds of the former loan. I have there- fore proposed to conciliate these bond holders by th grant of favourable terms for conversion. As it is proposed to demand cent per cent. cash subscription

in

Serial No.

in addition from them, the arrangement is intended to be advantageous both to bond holders and Government.

As regards bonds of the 6¼ % loan, I have recommended that they might be accepted at par subject to the condition that their holders tender 50 % in cash as additional subscription. The issue price of our last loan was 99 and the rate of interest was really Rs.6-5-0 per cent. As the issue price of the new 6½ % bonds will be par, the increased interest -- which the conversion allows is only Re.0-3-0 per cent But against this advantage, we demand 50 % additional cash subscription.

For our last loan we accepted the 5½ % War Bonds of the Government of India repayable in 1928 or in previous years. For our next Loan also we may accept these bonds as subscription. I have also proposed to take the 6 % bonds of the last year's issue of the Government of India and also those of this year's loans of the same Government. All these bonds may be accepted at par. They are all short-term maturities whose present market quotations are at or about par. Owing to their ready convertibility these bonds are as good as cash for us. The Bombay Development Loan carries 6½ % interest tax free and it is now quoted at a premium. The holders of bonds of this loan are unlikely to tender them for conversion

Serial No.

conversion into our Loan and I have not therefore proposed to take them.

We reduced the denomination of bonds as low as Rs.12½ on the last occasion. The number of bonds to be handled by the Treasuries and the Comptroller's Office was therefore very large and imposed heavy -- work upon them. On this occasion, I have not proposed to issue bonds for Rs.25 and Rs.12½ and the lowest denomination will be Rs.50.

The Loan now to be announced will, in the first instance, be open for subscription only by persons within the State but even these persons have to be assured that interest on their investments is exempt from British Indian Income-tax; otherwise the market for the sale of their securities will be limited to Mysore and in the event of the original holder themselves drawing interest on their bonds from any British Indian Treasury, such interest would be liable to British Indian Income-tax. We are not now in a position to convey this assurance of exemption from British Indian Income-tax, as the Government of India have limited the exemption already allowed by them only to our last loan and they have not yet complied with our request for freeing all our loans from their income-tax, as we have already freed all their loans from our income-tax. This arrangement of reciproci

Serial No.

was agreed to by them at the Income-tax Conference held at Delhi, but while we have made a provision in our Income-tax Regulation itself for giving effect to our part of the understanding, the Government of India have not yet taken action, in spite of our repeated requests, for giving effect to thier part of the agreement.

Receipts for disbursement of interest on Govt. of India loans by our Treasuries are exempt from stamp duty. We have claimed reciprocity in this respect also but the Government of India have not so far given us any answer. In the meantime, interest on our securities, if drawn in British India, is made liable to the British Indian Stamp duty and this is a disability placed on persons in British India who hold our bonds.

Informulating the above proposals, I have been influenced by the sole consideration that we should try our very best to make our loan operations successful, as we cannot afford to risk a failure. Our need for money is very great. The amount we require -- one crore and a half -- is very large, considering the limited capacity of the money market which is open to us and which is likely to lend to us. Mr. Dalal has plainly told us that Bombay will not absorb any of the Mysore Government Loan and that we shall

have

Serial No.

have to appeal to the same clientele as came to our help last year. Any disappointment in response to our loan appeal will completely dislocate our capital programme. We proposed to utilise the Railway Sterling Loan Sinking Fund as an alternative in the event of our being unable to find the whole amount from the next loan. But this proposal has been turned ~~out~~ down by the Government of India. As the second alternative of raising a sterling loan in London depends upon the utilization of the same Sinking Fund, I am doubtful if even this proposal will succeed. I remain, however, unconvinced that the Government of India are right in disallowing our proposal to use the Sinking Fund directly or indirectly; but so long as they remain --- obdurate, there is no help. As I have already stated, I cannot think of a third alternative and I would, --- under no circumstances, propose to make the Government of India our creditors. As for the proposal of obtaining a loan from another Indian State, I do not feel assured that it will materialise, as its materialisation again depends upon the intervention and good-will of the Government of India.

The terms of the two loans that I have proposed are, I consider, no more than what the conditions of the money market and the urgency of our need recommend. Placed as we are, we cannot afford to wait until the

Serial No.

rate of interest goes down. Should the rate decline in the near future, critics will, of course, say that ~~the~~ our rates should have been less. If we reduce the rate of interest with the very probable result of an inadequate response to our Loan, even then the critics will blame us for having failed in our loan operations If the terms proposed prove attractive and we a r e able to raise the whole amount we require, then the criticism would be that the terms were unduly generous. I do not think we can escape criticism of some kind or other under any circumstannes and there is no alternative but to face it.

It is proposed to keep the short-term loan on offer for 3 months from 1st July 1921 and the long-term loan loan for a month longer. The extension in the latter case is for the purpose of allowing the conversion -- rights being availed of by as large a body of bond holders as possible. It is usual to allow a longer period for conversion than for cash subscription. We may, however, allow 4 months both for conversion as well as for ~~x~~ cash subscription in view of the fact that we are requiring additional subscription in cash from those who tender their old bonds for conversion.

Mull 14.6.21

Serial No.

P.S.-- Since writing the above, I have seen a report in the Times of India of the 11th June 1921 that the Norwegian Government is raising in London a loan of 4 millions sterling carrying 6 per cent. interest, issued at 88 % (with a discount of 5 % if the whole amount is paid in one instalment). The currency of the loan is 10-40 years. What value money now commands in London is evident from this issue.

We cannot conclude from the rate of interest allowed for the recently announced loan of the Govt. of India that the value of money has gone down even in India. I would invite in this connection reference to the observations on ~~xThexMonexxMarketx~~ the Govt. of India new Rupee loan contained in the article on "The Money Market" in the same issue of the Times of India. Mr. D.M.Dalal is, I believe, the writer of the Money Market articles in this paper and from what he says the bulk of the subscriptions to the Government of India loan will be by ~~the~~ Banks, the Imperial Bank of India alone subscribing as much as 4 to 5 crores, that is about one-third of the total amount anticipated by the Government of India in their ways and means calculations. The conditions favourable for the Government of India loan are, as stated in the same article, the result of factors created by that Government and I do not think they can be taken as indicating the decline in the value of money due to normal causes.

b.

Dewan.) 16-6-21

P.T.O

G. R. S. III-21

General and Revenue Secretariat. | File No. of 19

Serial No.

It is suggested for consideration whether new rules regarding [illegible] should be framed providing for the payment of 5% p.c. bonus and (2) 3½ p.c. bonus in the case of 5½ p.c. bonus and (2) 3½ p.c. bonus in the case of 6½ p.c. bonus [illegible] respectively in the draft. This is suggested because the Local Govt. specifies [illegible] I should be glad to have the opinion of the H. C. on the point.

16.6.21

I have taken an extract of the above order and shall separately submit my opinion on the points raised in it. In the meantime the file is forwarded to the Chief Secy for immediate circulation as ordered by the Dewan.

H. H. H.
17.6.21

1st member) and member)

K. H. 17/6/21

6741-40. 18.6.21.

Secn. P. R. 19.6.21 H. H. H. 20/6/21.

Returned to Financial Secy. Circulated complete

K. H. 20/6/21

OTE—Contn. sheet.

G. R. S. III-2]

General and Revenue Secretariat. | File No. of 19 .

Serial No.

Dewan's order dated 16th June 1921 on the loan file.

"It is suggested for consideration that the new subscriptions required for conversion might be limited (1) to 50 % in the case of 5½ % bonds, and (2) to 33 1/3 % in the case of 6¼ % bonds instead of those proposed in the draft. This is proposed to make the loan more attractive. I shall be glad to have the opinion of the Financial Secretary on this point."

I put up Mr. Rose's letter of the 16th April 1921 in which his proposals in regard to conversion rights to holders of our 5½ % and 6¼ % bonds are contained. He has suggested the exchange of 6¼ % bonds for ~~those of~~ 6½ % bonds at par on condition of payment of a cash subscription of 35 % of ~~the~~ face value of the bonds tendered for conversion. As regards the 5½ % bonds, he has recommended that they may be accepted at 95 -- not at par.-- in exchange for bonds of the New Loan on condition of payment of a cash subscription of 50 % of the face value of the bonds tendered for conversion.

Our object should be to get as much 'new money' as possible. We propose to place two Loans before the investing public: (1) a 7 % Loan open only for cash subscriptions, and (2) a 6½ % Loan open both for cash subscription and for exchange of bonds of previous issues. These two

set.

issues

G. R. S. III-21

General and Revenue Secretariat. | File No. of 19 .

Serial No.

issues should, ~~make up~~ between them absorb all the available loanable capital seeking investment in a local gilt-edged security. From our point of view, it is immaterial whether we get 'new money' as subscription to the one or the other of the two Loans. ~~The~~ Conditions of conversion should keep two objects in view: (1) to obtain as much 'new money' as possible, and (2) to keep down the cost of interest as far as possible. If the proportion of cash subscription is unduly low, it may doubtless lead to the conversion of a larger quantity of bonds but it will produce an unduly heavy burden of interest charges proportionately to the new money obtained. With a short-term maturity offering a ~~good~~ net return of 7 %, I do not think there is any fear of holders of our 5½ % and 6¼ % bonds not subscribing to either of ~~our~~ the loans ~~as well~~, on the ground of the conversion rights not being more generous than now proposed. It is in view of all these considerations that I have placed the additional cash subscriptions at the proposed levels. I may add that I have sent confidentially a copy of the draft notification ~~xxxMxxxRxxx~~ containing the ~~present~~ proposed terms to Mr. Rose, for ~~opinion~~ expressing his views and if there is time, ~~it~~ his opinion may be awaited before deciding what cash subscription should be demanded. 17/6/21

17) D.O No: 390 D. 15/6/21 of Secretary forwards draft notification & calls for his views.

Yours very 18-6-21

Dowan

NOTE—Contn. sheet.

G. R. S. III-21

35

General and Revenue Secretariat. | File No. of 19

P. L. D.

Serial No. 12

Draft letter 8.6.21 from Mr. Rose — Meaning his opinion on the draft letter

Mr. Rose's letter just received is put up for perusal.

He is not for the issue of a Loan carrying 7 % interest and his letter shews that in arriving at this conclusion, he has been very strongly influenced by the effect which he fears such an issue will have on the market value of our 6¼ % bonds. T w o points strike me in regard to this apprehension of Mr. Rose:

(1) I am not sure if a 7 % issue should have such a drastic and depressing effect on the 6¼ % paper, as Mr. Rose fears. As stated by himself, the 6 % loan of the Government of India is being issued at par and the 6½ % Development Loan of the Government of Bombay is at a premium. Judged by these standards and even making allowance for some weakness in the demand for our paper owing to the limited market open for it, the market price of neither the 6¼ % loan nor the contemplated 6½ % Loan need touch the low levels mentioned by Mr. Rose.

(2) Mr. Rose looks at this matter entirely ~~of course~~ from the point of view of the holders of our 6¼ % bonds. There is another view which for us, should be of as much, if not even of great value. I refer to our urgent need for money and from this point of view the governing factor should be what term in respect of interest

Serial No.

interest is likely to make the loan a complete success.

Mr. Rose is for making our new issue substantially more attractive than our last but he would -- allow the advantage not in the form of an increased rate of interest, but in the shape of a premium of 5 % on redemption. He considers that we have to rely largely on the genuine investor who can be expected to appreciate this benefit. There is however one consideration to be borne in mind. A premium on redemption brings no immediate benefit to the bond holder, as it has no effect in raising the capital value except towards the close of the currency of the Loan. Whether the investor is well-informed or 'untutored' in these matters, it seems to me that an advantage which can be realised as a matter of absolute certainty is far more likely to operate as a powerful factor in inducing investments than the prospect of a far off gain, when the debt is due for discharge; and such a certain advantage cannot, I think, take any other form than that of an increased rate of interest.

The rate of 7 % may look high but as I have explained in the previous notes, it is not higher than what I consider are still the ruling conditions of the money market in India or than what is necessary to get a fairly full response to our appeal.

G. R. S. III-21

General and Revenue Secretariat. | File No. of 19 .

Serial No.

I think it is quite necessary that we should carry the Bank of Mysore with us in our Loan operations. This Bank is itself a fairly large holder of our 6¼ % bonds, both for its Reserve Funds as also for the cover on which it accommodates its clients. Besides, the active goodwill and co-operation of the Bank is wanted in placing our contemplated loan on t market. In view of these circumstances, it is quite necessary to further consult the Bank and this is best done by personal consultation. If approved, I shall leave for Bangalore tomorrow morning and meet Mr. Rose the same day. If I am wanted back, I shall return, otherwise, I shall report the result of my consultation with him.

20.6.21

Dewan.)

20/6/21

P.S.-- Mr. Rose approves of the conversion proposal in respect of the 5½ % bonds.

I have just received a notice regarding the Loan meeting to be held tomorrow morning. I do not think my presence is quite necessary, as the Comptroller will be there.

20.6.21

38

NOTE—Contn. sheet.

(440)
38

Serial No.

I met Mr. Rose to-day and discussed with him the question of rate of interest to be allowed for the short-term Loan. He said that for assuring some fair measure of success of the Loan the rate of 7% was undoubtedly the best. He considered that this rate might attract subscriptions from investors outside the State. The proposal of allowing 7% for the 10 years issue may therefore remain undisturbed.

2. The additional cash subscription to be demanded from holders of the 6¼% bonds tendered for conversion into the 6½% Loan might, ~~be~~ he considered, be lowered from 50% to 33 1/3%. The latter is the proportion suggested by the Dewan and I have accordingly revised the draft notification.

3. I think that our 4% bonds, which are as good as cash in view of their being due for discharge in a few months, as well as the short-term bonds of the Government of India, may be accepted at par as the equivalent of cash subscription to the short-term Loan as well. In my original proposal, I had recommended the acceptance of these bonds as subscription only to the long-term Loan. On second thoughts, it appears to me that we may take them for both Loans. The draft notification has been suitably modified.

4. As decided at the meeting held at Mysore on th 21st instant, special arrangements have to be made for delivery of bonds of and disbursement of interes

on, the last loan before subscriptions to the new Loan can be invited. Besides, bonds of the two new issues have to be got ready for sale from the date of ~~the~~ opening of the Loans. In view of these considerations, it may not be possible to sell bonds from a date earlier than 1st August 1921 and a period of 3 months is, I think, sufficient for both the Loans to be ~~k~~kept on offer. The draft notification has been revised in this respect also.

5. Mr. Rose considered that the arrangement of attaching bearer interest coupons to bonds was a good one provided bond holders could be expected to realise the exact nature of the coupons which are really cheques payable to bearer. I told him that the Deputy Commissioners were unanimously of opinion that there was no risk in supplying such coupons as investors even in rural parts could be trusted to take care of the coupons. The draft notification has been amended in this respect also.

6. It was proposed at the meeting of Deputy Commissioners held on the 21st instant at Mysore that brokerage should be allowed at ¼% and not 1/8% as on the previous occasion. A clause has been added to the draft notification about brokerage.

7. I spoke to Mr. Rose about the terms on which the Mysore Bank would advance money to those who desire to subscribe to the Loan. He said that the Bank ought to do its best to offer help in this di-

Serial No.

direction and that we might formally address him in regard to the various forms of help which it is possible for the Bank to offer to further the Loan operations.

8. As regards exemption from British Indian Income Tax of interest on our bonds of these issues drawn in British India, we have to make this point clear even in the present notification and as the arrangement is one of reciprocity we can announce the exemption and make a report of the fact to the Residency.

9. As the circulation has been completed, I put up a D.S.N.

Dewan

23-6-21

5013

4788

F. R S. III-2] 5013

General and Revenue Secretariat.

File No. of 191

Fds No.

4B)

GEN & REV. SECTT
27 JUN 1921

Serial No.

2577/PD 8/Two.

With reference to the proposed new Loan notification sent to me with your D. O. No. 391, and my subsequent discussions with you in regard to the alterations proposed by me, I have sent the notification to-day to the Superintendent, Government Press ~~for keeping~~ it ready in type.

According to the decisions arrived at, I have effected slight verbal alterations wherever necessary. I have included also the 12½, and 25 rupee denominations, as available for issue.

As desired by you, the cash to be tendered with the 6¼ per cent Bonds offered for conversion into the 6½ per cent Loan has been changed to 33 1/3 of the face-value of the bonds tendered for conversion.

The necessary alterations to make it clear to the public that this time, the bonds will be sold over the counter, have to be effected.

I have substituted for the forms attached to the draft notification, the enclosed forms which with the experience gained during the last loan operations are found necessary, and I request they may be approved.

24-6-1921

Comptroller.

To

The Financial Secretary.

I think this is clear from Notification as now drafted. I do not know what more could be wanted - 28/6/21

A

B

We have to compare with our forms & see if these forms (comptr's) answer all cases of the present two issues.

28/6/21

Put up along with file

NOTE—Contn. sheet.

Agreed. 28/6

A. Draft attached

B. The comptr may prescribe the forms he considers most suited for the service work hereafter. See them as adopted under 2nd. sent

Comptr) 28/6

Submitted to His Highness.

***

Draft for approval.

I herewith submit for the gracious approval of His Highness a draft notification announcing the terms of the Loan to be raised. The terms are explained in the Financial Secretary's notes dated 14th, 17th, 20th and 23rd June 1921.

2. I held a meeting of the Deputy Commissioners on the 21st instant and have given them instructions to make our present Loan as successful as the previous one.

3. It is not possible to open the Loan for subscriptions earlier than 1st August 1921 for reasons stated in para 4 of the Financial Secretary's Note dated 23rd June 1921. As the Government of India Loan will be closed on the 30th July 1921, our Loan can be floated in and outside the State simultaneously from 1st August 1921. But the Government of India may take objection to our notifying now, that our Loan is open for subscription to investors outside the State from 1st August 1921, on the ground that such announcement would induce investors to reserve their money for our Loan, which would otherwise have been absorbed by the Government of India Loan. Besides, we cannot say anything about outside subscriptions until we get a reply from the Government of India. In the notification now to be issued, it has therefore been proposed that subscriptions will be received from persons in the Mysore State and we may revise the notification on 31st July and say in the revised notification that the Loan is open for subscription both in and outside the State.

C Chamberlain

25th June 1921.

43

Record of Cases submitted for the Orders of His Highness the Maharaja

Subject.

No 1237 — Draft notification announcing the terms of the loan to be raised.

1293

Order.

27/6/21

H. H.
[illegible]
28.6.21

OW Affrs Mins
page 44
Subach

ON
Journal
appendix
43

44

notifications regarding the Post Loans,
1921

Privy Council

~~Privy Council~~ ~~notifications~~

Note Privy Council

Regulations under the Rules
referred approved now,
in a gazette Extraordinary on
Monday the 4th July

K.M.

Ben
30/6/21

Serial No. 12

D.O. 20-6-24 from Mr. Rose re his views re. conversion of 6½ % Bonds

I herewith put up Mr. Rose's letter of yesterday suggesting some changes in the terms of the Loans to be raised. As reported in my D.O. letter of this morning, I met Mr. Rose on my way to office and had a long discussion with him on the suggestions he has made. He still insists strongly on the need for improving the terms of the long term loan with a view to making the conversion proposals in the case of 6½ % bond holders more acceptable to them. On reading his letter, I had formed the impression that he did not agree to the short-term 7 % issue at all. He however assured me that that was not his intention and that his suggestions really related to the long-term 6½ % issue. In view of what he has stated in his letter, I am afraid we have to agree to make the issue price of the 6½ % Loan 97½ %. This, no doubt, increases the interest charge not only on fresh money subscribed to this Loan but also on the ~~very large~~ amount of the previous issue which ~~will~~ may be converted into the new issue.

As regards his suggestion No. 2, I was able to pursuade him that it was not possible to guarantee future conversion rights at par to investors in the 6½ Loan. He has proposed that we should accept bonds of our last loan for conversion into the present at the ~~new issue price~~ rate of 96½ and this arrangement, as he states will give them a bonus of 3½ % on redemption including

Serial No.

including the one per cent. allready allowed to them, being ~~as~~ the issue price of our last loan ~~was~~ 99 %.

The proportion of 33 1/3 % proposed as additional cash subscription is inconvenient as it necessitates calculations in pies and for this reason and also on the ground of the increased yield on ~~the~~ an ~~capital seeking~~ investment in the 6½ p.c. Loan owing to the reduction in the issue price, I suggested that cash subscription might be raised from 33 1/3 to 40 %. As the benefit of discount on issue price has to be allowed in respect of the additional cash subscription as well and as a refund of 1½ % has also to be allowed, as the old bonds will be accepted at 99 p.c. as equivalent to cash, the actual cash contribution by a tenderer for conversion will really be 37½ %, which is a convenient proportion for purposes of calculation. Mr. Rose agreed to this arrangement. I herewith put up the draft notification embodying the suggestions of Mr. Rose and the consequential changes.

Incidentally, we discussed the question of the amount of the Loan for which subscriptions should be invited. Mr. Rose said that it would be better not to specify the amount, as, in the event of the actual subscription falling short of the amount notified, the Loan operation would not be considered as successful. Last year I suggested the same arrangement but

the

Serial No.

the Council considered that it was necessary to specify the amount. I am still of the same opinion and I agree with Mr. Rose in thinking that it would be well if we did not specify any amount in the Loan notification. There is no fear of our getting more than what we want, as we can accept any amount up to 2 crores, if we can get it. In the draft notification now submitted, I have omitted ~~the~~ reference to the amount of the Loan.

As we are allowing the benefit of the issue price of 97½ % to tenderers of our 6¼ % bonds, the same concession will have to be offered to the tenderers of the Government of India bonds also. The market value of all these bonds is at about par and if accepted at par, it will be necessary to allow cash refunds of excesses over issue price. This is a n inconvenient arrangement, as we are accepting Government of India bonds for our 7 % Loan and as there are not likely to be many holders of these bonds desiring to convert them into our 6½ % bonds, I have ~~accordingly~~ omitted term No. 10 of Loan No. II.

Dewan.) 1.7.21

I agree
2.7.21

A.D.S.V. is putting up personally instructed.

Dewan) 2.7.21

Submitted to His Highness.

P.V.D

In his letter dated the 30th June 1921, Mr. Rose suggested certain modifications in the terms of the long-term 6½% Loan to be floated and the Financial Secretary personally discussed the matter with him and his note dated the 1st July 1921 reports the result of the discussion. Mr. Rose's suggestion for fixing the issue price of the 6½% Loan at 97½ per cent. may be accepted for the reasons stated by him. The draft notification adopting his suggestion with the consequential changes is herewith submitted for gracious approval.

B

C

Dewan.

2-7-1921

Bangalore,
July 1921.

Record of Cases submitted for the Orders of His Highness the Maharaja.

Subject.

Notification regarding the Loans of 1921.

Order:

~~K R W~~

4/7/21

7-7

5-7-21

G. R. S. III-2]

General and Revenue Secretariat.	File No.	of 19

Serial No.	
13	Letter d. 5.7.21 from W.C. Rose Esq. offers certain suggestions for consideration

G. R. S. III-21

General and Revenue Secretariat.

Loans 1921 — 51/98

File No. of 19

Serial No.

The Government Advocate considers that the procedure of attaching Bearer-Interest-Coupons to a security negotiable by endorsement is not free from objection from a legal point of view and that its adoption involves the running of some risk. The idea of having bearer interest coupons has therefore to be abandoned.

The issue of Bearer bonds with Bearer-Interest coupons is allowable and if particular subscribers desire to have their bonds in the Bearer form, we can comply with their request. Promissory notes negotiable by endorsement may be sold in the first instance to such subscribers and if they subsequently express a desire to have their holding converted into Bearer form, we may issue Bearer securities free of charge for some time. A para to this effect has accordingly been included in the notification under both the loans.

I herewith put up Mr. Rose's letter of yesterday, in which he makes four suggestions:

Suggestion A, is only an addition to the abstract at the top of the notification and I have adopted it. Suggestion B cannot be accepted as the prodedure in regard to the issue of Bearer-Interest coupons has fallen through. Suggestion C relates to the terms of the long-term loan. Mr. Rose proposes to accept the 6¼% Bonds at par, and his reasons are mentioned in para 3 of his letter dated 5th July 1921. I do not think

Serial No.

think we can overlook the fact that for our 6¼% bonds we got only 99 per cent, and that it is not quite fai to demand, for purposes of conversion into a loan -- issued at a favourable rate, that we should accept th bonds at par, and not at the issue price of 99 percen The revised terms of the loan have been approved by His Highness and if a further modification has now to be made at this stage, it will be necessary to obtain the permission of the same authority. In the draft - notification now put up, the net cash subscription of 37½ % is retained and not changed to 36½ % as suggest ed by Mr. Rose.

Suggestion D.--This is acceptable. Mr. Rose offers to take over for the Bank, War Bonds of the Government of India and to invest the proceeds in our loan. This has been included in the notification.

A draft, in print, of the loan notification to be issued as a Gazette Extra-ordinary is herewith put up for final approval.

7-7-21

P.S.--The Second Member's D.O. to me of date is put up. As I have stated above, provision is made in the notification for issue of Bearer Bonds. Even Stock Certificates may be given in exchange for pro- missory notes issued in the first instance. This is

also

Serial No.

also mentioned in the notification. In view of the legal opinion now expressed, no other course appears t be open and the notification in its present form may b issued and modifications if any, notified later on.

Note as to
The recommendations of the Hon'ble Mr Rose's proposals are approved. Except the question of bears interest Cinema and Medical outfit for the 2nd Member as to the 8th inst.
7/7/24

Hon'ble Mr Kapur

I discussed this matter with Mr Rose, the undersecretary who was present. Hon'ble Mr Rose is in favour of his interest Cinema is proposed scrapped and do not think that Government Cinema any legal objection when Cinema proposed scrapped. The interest Cinema Cinema required as part Secretariat and Cinema would maintain the permanent staff of 17 persons Mr Rose & Secretariat which was proposed by Secretariat who was there would at no date Mr Rose Cinema

Serial No.

~~Sir, I also Comment on the proposals~~
will also be covered by Section 7. The present
Regulation if the form and purpose for
which it is adopted. I am under the
impression at first that these coupons
will be in the form of receipts to be sold
by Financial Secretary that they could
be encashed with a promissory
note did not appear to be sanctioned

Sec

8/7

The Second member considers that
there is no legal objn. to the issue
of Promissory Notes transferable by
endorsement, with bearer interest Coupons
attached to them. It is impossible to make such
Notes ready by 1.8.21 in the large quantities
in which they will be required, owing to the
very complicated arrangements necessary for
printing them. The form of this kind of
Note also requires Change and legal opinion
has also to be taken on it. These special
Notes can be issued only later on in exchange for
the ordinary Notes sold in the first instance

Serial No.

Terms nos (1) iv and (2) iv have been accordingly revised. The reference to Bearer Bonds has been omitted as the issue of Pro Notes with bearer coupons is considered admissible.

If the Notification as it now stands is approved it will be issued as a Gazette Extraordinary to day.

8.7.21

Dewan

8.7.21

1521

Mr. Ramachandra Mudaliar (the law officer) The above note was written and told me that the printing of the special form of Notes with bearer coupons involved considerable difficulty & required a special kind of water marked paper which it was not easy to get. He said that there was no guarantee of our being able to get such paper within any definite time & that accordingly it was not advisable

DEWAN'S OFFICE
Recd. on JUL 8 1921
Reg. No. 179

Serial No.

to state in the Notice that the ordinary Post Notes might be exchanged for the Special Notes with bearer Coupons.

I reported all this personally to the first member. He considered it undesirable to make a definite promise of providing for the said exchange of Notes before ascertaining when we shall be in a position to make the Special form of bond ready. He stated that it would be well to leave out the reference to the Special Notes in the present Notice and ~~some a date, the~~ make immediate ~~make~~ enquiries of some firms in England as to when they would be able to supply us with the kind of paper reqd. and notify later on as to when the Notes can be exchanged, on making all the arrangements necessary for getting the Special Notes with bearer indirect Coupons ready. In these circs the reference to the Special Notes has to be omitted

G. R. S. III-2]

General and Revenue Secretariat. | File No. of 19

Serial No.

It will be possible to proceed for the issue of Bearer Bonds also as the printing of these bonds also presents the same difficulties.

The word "Stock Certificate" may remain as there is no difficulty in issuing them in exchange for the ordinary Promissory Notes. The first member has given instructions to the Supdt. Govt Printing for making enquiries for getting watermarked paper and for the Special Note and about the design to be adopted for the bonds to be got ready before 1-8-21.

The Notification with the red ink corrections omitted is resubmitted for approval.

8.7.21

Dewan

DEWAN'S OFFICE
Recd. on 8 1921
Reg. No. 693

9.7.21

Please issue at once

9.7.21

NOTE—Contn. sheet.

14

To compile system
No R.98/37 of 10-9-21

announcing the conversion of the two loans

Issued by personally handing over the approved copy of the Notification

G. R. S. III-2

General and Revenue Secretariat. | File No. | of 19

Serial No.	
15	Letter no 6208 d. 14. 7. 21 from Secretary to Resident conveys sanction of India to Mrs Durbar loan.

R. S. III-21

General and Revenue Secretariat.

File No. 6 of 1921.

Serial No.

A draft acknowledging the Residency letter communicating the sanction of the Government of India to our Loan and conveying thanks to them for the permission given is put up. Both in regard to the Income-tax and Stamp Duty the exemption now notified by the Government of India applies only to the 6¼ % Bonds. The exemption should however be general and it is necessary to notify this exemption in the Loan prospectus to be issued for circulation outside the State. As the Government of India have approved of the 7% and 6½ % Loans and as the arrangement in regard to both the Income-tax and the Stamp Duty is a matter of mere reciprocity, it has been stated in the draft that the exemptions will be assumed and notified accordingly. As it is not certain that we shall hear before the end of this month when the Loan prospectus has to be issued for circulation outside the State, it has been stated in the draft that the exemption will be presumed in respect of these two Loans.

Dewan 18.7.21. 16.7.21.

P.S. A D.S.N. for reporting to His Highness the permission given by the Government of India is put up. The draft of a revised notification to be issued on the 31st instant is also placed in the file. I have written

R. S. III-21

General and Revenue Secretariat. | Gr. F | File No. 6 of 1921-22

Serial No.

written to the Comptroller and Mr. Rose for arranging with Banks in British India for sale of our Bonds and I expect that the Banks which did this work for us on the last occasion will undertake on this occasion as well and the Loan notification has been drafted on this assumption.

16.7.21

Some draft to Mr Rose and return file to Dewan's Office for Subs: to Govt.
16.7.21

DEWAN'S OFFICE.
Recd. on JUL 18 1921
Reg. No. 387

Subd
18-7-21

Issued & the file received herewith
DO
18/7/21

18/7/21

DO to the Manager Bank of Mysore
No 7E 216/576-2+9 d: 16/7/21

16 Intimates that sanction of Govt of India has been recd for the acceptance of subscriptions outside Mysore and requests him advise as to the bank thro' whom this work has to be arranged &c

Issued the file / resubmitted
D.O.
Issd. 18/7/21

Submitted to His Highness.

Pending the receipt of permission of the Government of India for accepting subscriptions from investors outside the State, the 7 per cent. and 6½ per cent. Loans were announced on the 9th instant for subscription within the State in the first instance. The permission of the Government of India has now been communicated in the Residency letter of the 14th instant which is herewith submitted for information.

2. They have authorised us to announce our Loan outside the State and accept subscriptions from investors there after 30th instant on which date their loan list will be withdrawn.

3. It will be seen from the telegram of the Government of India that our Loan prospectus in which the terms and conditions of the Loans are contained has met with their approval.

4. A revised notification has to be issued on the 31st instant as stated in my submission note dated the 25th June 1921 and a draft of it is herewith submitted for gracious information of His Highness. In the meantime arrangements will be made for advertising our Loans in British Indian newspapers from 1st August 1921 and also for sale of Bonds at outside Banks from the same date.

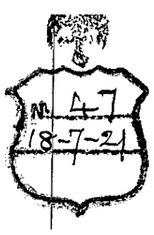
18th July 1921

D908

(62)
~~64~~

Record of Cases submitted for the Orders of His Highness the Maharaja

Subject.



Revised notification throwing open the New Mysore Government Loans to investors outside the State.

60

Order.

~~KRW~~
19/7/21

H-4
20.7.21

Issue at once the letter to Residency
20/7/21
18/7/21

G. R. S. III-21

General and Revenue Secretariat.

G/G File No. 6 of 1921.

Serial No.	
17	To the Secy to the Resident Letter no 841 64 D 21.7.21 conveys the thanks of the Durbar to the G.O.I. for having permitted them to accept subscriptions outside the State & states that as their request re exemption from Br. Indian Income tax (v. Stamp Duty) in respect of interest down on mysore bonds - etc is still under correspondence they propose to notify in the local prospectus that interest on these two loans will be Income Tax free. The letter to Resy has issued. The Revised notification has Secy to issue on the 31st July 1921. 22/7/21

will please be accepted & sent early

352

G. R S. III-2]

General and Revenue Secretariat.

G.7 File No. 6 of 1921.

(67)

Serial No. 18

from ... Letter No 6566 D. 28.7.21
With reference to Sl. state that it is not advisable to announce exemption before formal sanction —

I have the honour to be directed in reply to your letter of 21st July 1921. When the Govt of India answer will be recd. is uncertain and if in the meantime we are not to say in our Notification to be published whether the Loan is free from British Income Tax, we shall not probably get any good response to our appeal. Last year also the Gr I caused us much inconvenience by notifying the exemption very late. This year we have been asking for the exemption for several months past and yet there is no reply and we are also told that we should not announce the point of exemption which is so important to investors. This attitude of the Gr I & the Residency is not fair - we can not even advertise our loan in newspapers in British India as every subscriber would like to know if his income from investment in our loans is subject to or exempt from Indian Income Tax. I would in these circs propose that the Resident may be requested to get the exemption

G. R. S. III-2.

General and Revenue Secretariat.

35

G7 File No. 6 of 1921.

Serial No.

at once or if that is not possible immediately but to object to the Notifying the Income tax & Stamp duty Exemptions — As stated in our last official letter the Exemption is a mere matter of reciprocity and any objection of reciprocity is inconceivable —

Simla. 26/7/21

Deccan.

p.1 Until the above question is settled no action can be taken to announce any loans in British India or to accept subscriptions from investors here.

Simla 26/7/21

I think it is desirable I await their reply.

9/ Foreign Secy: No. 6749 S.S.Z. dated 27-7-21
States that Exemption from Income tax and Stamp duty subject to the bonds is sanctioned

The reply of the G.I. is awaited.

Both the Exemptions are permitted in respect of this year's loan.

Hony 1 29-7-21.

Subject for information.

The only matter yet to

G. R. S. III-2,

General and Revenue Secretariat.

F. & F File No. 6 of 1921-22

Serial No. 1

Nil only matter yet to be settled is the appointment of Banks in British India for doing our loan work. The linked file deals with this subject.

Sd/-
30-7-21

Sd/-
1.8.21

Issue revised notn.
18
1/8

20 The complete Notn. Gaz. notfn vide 585 dt 1.8.21 issues revised notification throwing the loan open to outside subscribers

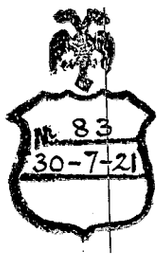
Submitted to His Highness.

***

I submit herewith for His Highness' gracious perusal a copy of Residency letter No. 6749 dated the 29th instant, intimating that the Government of India has been pleased to exempt from liability to income-tax interest paid to or received by persons in British India and from the payment of stamp duty receipts granted for payment of interest in British India in respect of the State Loan, 1921.

30-4-1921

Record of Cases submitted for the Orders of His Highness the Maharaja.



Subject.

Copy of Residency letter intimating that the Government of India has granted certain exemptions in respect of the - Mysore Loan, 1921.

10½

Order.

~~KRW~~
2/8/21

H.L.
3.8.21

HE HAS TELEGRAPHED TO GOVERNMENT OF INDIA AN ABSTRACT OF OUR LETTER TO HIM. WE ARE NOT BOUND TO WAIT FOR ANY PERMISSION. HOWEVER SEEING THAT THERE WAS SOME TROUBLE LAST TIME WE MAY PERHAPS WAIT FOR JUST A FEW DAYS BEFORE WE PUBLISH THE NEGOTIATION. THERE IS NOTHING TO PREVENT US GOING AHEAD WITH OUR PREPARATION FOR THE LOAN. THE DRAFT NOTIFICATION MAY BE SUBMITTED FOR APPROVAL AT ONCE. IT HAS TO BE SUBMITTED TO HIS HIGHNESS FOR APPROVAL AFTER CONSIDERATION IN COUNCIL.

M.K.
10/6/21.

SC 1 1

(71)

Draft D.O. 583 dt 2-4-21.

D.O No 583 dated 2.4.April 192' from the Dewan
[illegible] the Resident

To

The Hon'ble the British Resident in Mysore
Bangalore.

Dear Colonel Kennedy,

Dear Sir,

Some of the large productive public works undertaken by the Durbar are still in progress and it is necessary to float another public loan for financing them. The amount required is about one crore of rupees. The loan will be announced at a suitable time for subscription within the State in the first instance, and according to the arrangement adopted in regard to the last loan, it will be thrown open to investors outside the State after the ~~list of~~ the next ~~Government of India~~ loan of that Government is closed, if the Government of India have no objection.

No mention is made of the amount of loan. We learn from the Resident that no information, nothing is known of the proposed loan.

Yours sincerely,

28-3-21

DEWAN.

26-3-25

Draft D.O. No 584 dy 2.4.21.

D.O. No 584 dated 2nd April 1921 from the Dewan to Dadiba Merwanjee Dalal Esq CIE Bombay

To

Dadiba Merwanjee Dalal, Esq., CIE

Sirdar's Palace, Apollo Street,

Fort, B O M B A Y.

Dear Sir,

Some time ago I requested you to kindly advise the Mysore Government as regards the best way of bringing out their funds from London and you very kindly complied with my request. I am sorry I have to trouble you for advice again.

You know that the Mysore Government floated a public loan for a crore of rupees in July last which was oversubscribed. Some of the large productive public works for which funds are wanted are still in progress and another loan is necessary for financing them to completion. I shall be much obliged if you can kindly favour me with your opinion as to the terms of issue that are likely to appeal to investors. The amount that the Mysore Government would require is about a crore and they are prepared to guarantee the service of the loan from their annual revenues. The recent reduction in the rate of the Imperial Bank and certain statements made by the Finance Member of the Government of Madras in the course of his budget speech this month point to the probability of an early loan campaign by the Government of India. It is not known what terms that Government are likely to offer this year and whether the issue will be one for a

4)

accordingly. The Mysore Government will be very glad to ~~xx~~ pay you ~~your~~ fees for this and other advice which they may require in connection with their proposed loan.

Yours sincerely,

28-3-21

D E W A N.

26-3-21

Draft D.O.

D.O.no.308 Enc.1. 4.4.21

803/15

75

D.O.no 305 dated 4.4.21 from the Financial Secretary to the managing Bank of India Limited.

Dear Mr. Rose,

You know that some of the large productive public works undertaken by us are still in progress and the only means of finding money for financing them to completion is a public loan. It is therefore necessary to arrange for the flotation of another loan and I am instructed by the Government to consult you on the following points:-

1. What time ~~is~~ do you think is suitable for the flotation ?
2. What is the currency of the loan that is likely to appeal to the investing public?
3. What rate of interest do you think is necessary to be allowed ?
4. Would you recommend the issue price to be fixed at par or at any rate of discount ?
5. Do you think that any attraction in the form of a premium on redemption is necessary ?
6. Would it be desirable to place on the market more than one form of issue to offer inducements to the different classes of investors ?

2. I understand that in the London market long-term redeemable loans are gradually gaining in favour and that short maturities are not latterly so much in request as they were before I am not sure if the same tendency is to be seen in India also.

3. It is not known when the Government of India will anounce their next loan. As you know the rate of the Imperial Bank of India has lately been reduced from 7 to 6 per cent. I send herewith a copy of the Madras Mail in

D.O.No 3398 dated 7.th April 1921 from the Resident to the Dewan

Recd. 7.4.21

D.O. 3398

THE RESIDENCY,
BANGALORE.
Dated 7th April 1921.

Dear Mr. Kantaraj Urs,

I am desired to acknowledge the receipt of your demi official letter No. 583, dated the 2nd April 1921, regarding the proposed floatation of another public loan for financing some of the large productive public works.

It is very important to the Resident to have as accurate details as possible in regard to the date on which it is proposed to float the loan for subscription both within the State and outside the State and I shall be obliged if you will kindly favour me with information on both these points as soon as possible.

Yours sincerely,

76

Sirdar M. Kantaraj Urs, B.A., C.S.I.,
Dewan of Mysore.

BJ

SVR

D.O. No. 595 dated 7th April 1921 from the Dewan to the First Assistant Resident

Draft D.O. No. 595

7-4-21.

Dear Major Plowden,

I have just received your D.O. No. 3398 dated the 7th April 1921.

The exact date on which the loan should be floated this time has not yet been settled. The Durbar have sought advice on this point from persons in touch with the money market. As soon as the date is settled, I shall communicate it. As I have already stated in my previous letter, the loan will not be thrown open to investors outside the State until the next loan of the Government of India is closed and it will be open for subscription only within the State in the first instance. I would, in these circumstances, request that the permission of the Government of India -- applied for in my previous letter may kindly be obtained early.

Yours sincerely,

7-4-21

(Dewan.)

7-4-21

Major C.T.C.Plowden, I.A.,

First Asst. to the Hon'ble the Resident

in Mysore Bangalore

THE RESIDENCY,
BANGALORE.

From,

Lt Col S. G. Knox.

Officiating Resident in Mysore.

To,

Sardar M. Kantaraja Urs. C. S. I. B. A.

Dewan of Mysore,

Mysore.

Mercara, Coorg.

12 th April, 1921.

My dear Dewan,

Your letter of the 7th of April to my assistant, Major Plowden, has just reached me. I daresay you may be aware that, about the end of July 1920, the Government of India were not altogether happy about the Mysore loan of last year. Letters on our record show that it is quite impossible for us to go up to them officially asking in your own words their permission without much more definite information than we have at present. A copy of your D. O. No: 583 dated the

2nd of April has gone on to them for information but this, of course, will not of itself suffice. It is imperative that we should be able to inform them of the date of flotation and that not only to avoid competition between the State and G. of I. as borrowers but also between the State and other large borrowers. This is, if I may say so, in the borrowers' own interests whoever they may be. So I am afraid I must have the dates before I can go up to them.

On the purely financial aspect of the case, before the G. of I. can offer comment, criticism, advice or grant permission, they would like some assurances of the ability of the Mysore Revenues to bear the interest and presumably the sinking fund charges of this loan and the previous one.

Again, the Government of India will certainly want to know, however confidentially, the terms of the proposed loan and some details about the" large productive public works undertaken by the Durbar", for the financing of which the loan is to be raise

A list with a "remarks" column filled in by exper

G.R.S. III—3]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

as to productive prospects with any available reasons for the opini ons offered would be of the greatest service.

Permit me to sum up in tabular form the information we require.

1.Dates of flotation

(a) in State (b) in British India.

2. Ability of Mysore revenues to bear

(a) interest (b) sinking fund charges of this and previous loan.

3. Terms on which it is proposed to offer this loan.

4.List of public works to be financed with expert opinion as to productiveness and grounds on which opinion is held.

In conclusion,my dear Dewan,you must forgive me if this letter wants to know too much.My only excuse, with which I am sure you will sympathise, is that it is I who have to bear the blows if I send up a case to the Government of India in an incomplete or chaotic form.

Sincerely yours

N.B. – Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

DIARY No. 4459

The Bank of Mysore Ltd.

TELEGRAPHIC ADDRESS:- "MYSOREBANK." CODE - 5TH EDITION A.B.C.

All communications to be addressed TO THE MANAGER.

19 Secret File No. Signature

No Confidential

Bangalore 16th April 1921.

Letter dated 16th April 1921 from the manager Bank of Mysore to the Fin? Secy

Dear Mr. Krishna Rao,

I have to acknowledge the receipt of your confidential D/O letter of 2/4th April No.308 in the matter of the flotation of another loan by the Government to cover expenditure on large productive works still in progress.

The advent of the Government as a borrower so soon after last years flotation cannot but have a depressing effect on the 6½% loan of 1920-40, and other Government guaranteed issues. It must, also, be remembered that a good portion of the last loan is still in course of adjustment by the 2800 subscribers financed by the Bank, as well as those helped by the Government, under their respective instalment systems. In the case of the Bank the amount still payable is 16 lakhs, and there are several sellers of the 6½% security

at a discount without finding buyers. Another similar issue by the Government under these circumstances is doomed to failure in the State, and an enhanced rate of interest for the new loan will obviously still further -nolens volens- increase the discount at which holders are at present prepared to sell their holdings. From all accounts there is some dissatisfaction in the State at the manner in which the late loan was canvased and its management.

A large number of holders are still without their bonds and consequently unable to borrow or sell. As practically the whole of the 136 lakhs of the late loan was subscribed for by the people of the State, it is an unfortunate factor to have a body of dissatisfied investors to contend with when their ~~own~~ goodwill is so vital to the success of the new issue. How to win over the large body of investors I shall deal with later on, but will now only describe the present financial situation in India as it appears to me.

There is no need for me to dwell largely on the present world-wide depression of trade, the immense lock up of the resources of the Banks in British India, specially those of the Exchange Banks, the anxiety felt as regards the monsoon, and the general political unrest and low economic conditions of the whole of Europe and Asia. The cash position of the Imperial Bank of India is none too high for the huge public and Government obligations it now shoulders, and whatever the margin of its surplus resources may be it will be earmarked to meet the liabilities of the Government of India in the shape of their outstanding Treasury Bills and maturing loans. The tremendous congestion of unpaid goods in the godowns of Banks and merchants, and the future of Exchange are the principal causes of the uncertainty of the future monetary and trade outlook, with the resulting disinclination of Banks to lend money except on the most liquid of securities, and for short periods, and unless some decided improvement takes

place in this direction I fear India will sooner or later have to face a financial crisis of great magnitude, and one only to be aggravated by a total or partial failure of the monsoon rains.

The stock and share markets are faced with more sellers of securities than buyers, the natural result being a heavy depreciation in values. Also a large body of speculators now find it difficult to meet the calls payable on most of the shares of recently floated companies. The only redeeming feature has been good buying of Government of India Securities. The 5½% bonds of 1928 have risen from 96 in October last to close upon par, and the 5% and 6 % taxed and nontaxed Government Loans have since the new year appreciated some points. A similar result is being experienced on the London Stock Exchange, and the good buying is accounted for by the probability of money in London becoming cheaper in the near future coupled with the good returns which the heavily depreciated long dated securities now yield on redemption.

It is this present favourable situation in British India, as apart from Mysore, which could be made the most of by the issue in June or July of an attractive loan by the Government provided some form of negotiability can temporarily be arranged till the securities of the Government of His Highness the Maharaja under the Imperial Bank of India Act, are made negotiable in India. Under such conditions as I have endeavoured to describe, the issue of a loan in June or July, when the future of trade and monsoon prospects will be more clearly discernible, would I think be a suitable time.

I have already referred to the unfortunate position of holders of the 6½% loan 1920-40 while that of those still under obligation to the Bank for about 16 lakhs, and others in respect of ordinary loans on the deposit of the same security, are obviously worse. There is also the Banks own investment of 10 lakhs. Thus about 30 lakhs of the Banks resources are invested in one form of Government Security,

and unfortunately of a non-negotiable character in British India and with practically no demand in the State. About a further 70 to 100 lakhs of monies of private subscribers must be in the same condition, but perhaps in stronger hands. It might also be mentioned that subscribers in the State to the recent issue of the Sri Krishnarajendra Mills, are still liable for uncalled capital to the extent of about 28 lakhs within the next 12 months or so. By some means it is desirable that practical measures should be instituted by the Government itself to create within the State a free market for its own bonds, as otherwise it is very obvious that unless there is an active market within the State for Mysore Government Securities the Government will always be compelled to appeal to outside investors for their financial requirements. To deal with the situation as it exists today, and described by me, it is clear that the chances of Government obtaining their requirements within the State even at 6½% tax free or 7% less tax is somewhat doubtful without the conferring of conversion

rights at par to holders of the 6½% loan on such terms as will at least secure to Government new monies to the extent of 35% of the face value of the Bonds tendered for conversion. I would not like Government to think slightly of the dissatisfaction which now exists, and which you must expect to increase from holders of the 6½% loan if they are also to face a more serious depreciation in their holdings by the issue of a new loan bearing a higher rate of interest. It is obviously a wise policy to have investors of Government securities as your permanent supporters and underwriters.

The new issue might partake of the nature of a 30 year loan with interest at 7% taxed or 6½% tax free, ~~payable~~ repayable in 1951 at par, and liable to annual drawings, say after the 5th year, with the right to Government to redeem the whole or part of the loan on six months notice after 15 or 20 years currency at a premium of 5, 3% respectively, and to purchase the bonds at any time in lieu, or reduction, of

drawings at or below par. A discount of 1% may be allowed to subscribers paying the full amount of their subscription at the time of applications. An assurance also to be given that investors in the new loan will not suffer by the issue of any future loans by the Government at a higher rate of interest. I would allow conversion rights at par to holders of the 4% loan due next October, plus a bonus of 1%, and also conversion rights at par to holders of the Government of India 5½% ~~varª~~ ~~xxxxxx~~ loans of the years 1921, 1922, 1923, 1925 and ~~1~~ 1928 and the 6% tax free loan of 1920-45, and the Mysore Govt. 5½% loan at 95% if an additional 50% of the amount tendered for conversion by the holders of the last named loan is subscribed for in the new loan. The grant of such conversion rights, in the case of the Government of India Securitie, is more or less nominal as these securities are themselves convertible into cash at par or at a small discount. I see no objection to the issue of a special short term loan of 10 years, limited to a fixed amount, if Government can clearly

see their way to redeem such an issue at maturity. Such a loan would specially find investors in British India if issued at 6½%, tax free both India and Mysore, and be repaid at a premium of say Rs.2-8-0 per cent. No interest lower than the Bombay Development loan viz, 6½% is likely to be acceptable in British India, and it is rumoured that a fresh issue on behalf of the Bombay Development Board is contemplated this year at 7%. I would suggest similar conversion rights as in the case of the proposed 7% loan. I would also like to suggest Government entering into a private arrangement, as detailed in the enclosure attached hereto, with some of the Banks in India to ensure negotiability in India of the 10 year loan to their own bona fide constituents. There is another proposal I would like to make with a view to Government having its own demand liabilities, such as the Savings Banks Deposits, extended for a certain period, and thus give some financial ease immediately. The relief might be on the lines of the Government of India cash certificates with six per cent. interest per annum payable

issued for 3 years certain, and 6½% for yearly for certificates of 5 years currency. The extent of the issue to be governed by the maximum balance at a credit of a depositor at the time of issue of the loan or on 30th June next, and available to Savings Bank depositors only. The certificates to be transferable and negotiable within the State, and to be accepted in payment of all Government dues at maturity or at any time prior to maturity on forfeiture of all accrued interest.

Another important matter left for consideration is the question of Government borrowing in London. With Govt. possessing some 1½ (one and half) lakhs of lbs. of sandalwood oil in London it would be a legitimate form of borrowing if Government issued their 6 or 12 months sterling bills in the London market through the agency of Messrs. Coutts & Co. as acceptors, or one of the large Joint Stock Banks, hypothecating to the acceptors the sandal oil as specific security. The sale proceeds of the oil to be handed over to the accepting

Bankers for the purpose of repayment of the bills at maturity, or for their cancellation if in the hands of the acceptors. The Government to have the option of repaying the bills at the end of 6 or 12 months from other sources if sales of sandalwood oil are not forthcoming with the right of renewal for a further period of 6 or 12 months. Such an arrangement as I here suggest should be practicable, and I shall be pleased to give Mr. Banerji a letter of Introduction to one of the Manager's of the London Joint City and Midland Bank to be made use of in the event of Messrs. Coutts & Co. not being disposed to entertain the business. If the idea is favourably received it would be necessary for Mr. Banerji to have the full authority of Government to negotiate the business, pledge the oil, and execute the necessary bills on behalf of Government to the maximum extent possible. I see no reason why £.1.50.000 should not be forthcoming under this scheme. Allowing ½% for acceptance commission the cost to Government

would at present be about 8%, but lower if the anticipated reduction in the Bank of England rate be realised.

In conclusion May I be permitted to remark that the success of the new loan will in a great measure depend on the proposals contained in the next Budget to balance ordinary Revenue and Expenditure, and also that the matter of retrenchment reveals substantial and real savings, and that adequate proposals are made for the yearly redemption of debt. I cannot help thinking that it would considerably relieve the anxiety of Government if such trade undertakings as the Benkipur Iron Works and the Sandalwood Oil Factory were converted into public Companies with the Government reserving a portion of the Capital, and receiving a fixed royalty on the output of each concern. It appears to me that the sales of sandal oil in London would be revived, if buyers knew that Government were not accumulating stocks at this end and also had decided to close down for some time.

Yours sincerely,

M. N. Krishna Rao Esq
Financial Secy

22

PROPOSED AGREEMENT WITH BANKS
in
BRITISH INDIA.

---

1. The Banks to receive applications from the public and issue the customary receipts from time to time on payment of a commission of 1/4% of the amount allotted.

2. The Banks to grant advances, if required by their bona fide constituents, to the extent of 80% of the face value of the bonds at their current rate of interest for loans on the security of Government Paper.

3. In the event of the Bank failing to realise the amount of its advance from the borrower, or by the sale of the security in the open market, the Mysore Government to undertake to repurchase all such securities 12 month after receipt of notice at the rate of 90% of the face value.

%%%----------

PROPOSED BANKS.

1. The Bank of India
2. The Central Bank of India
3. The Eastern Bank Ltd.,
4. The Tata Industrial Bank Ltd.
5. The Alliance Bank of Simla Ltd.
6. The Indian Bank Ltd.
7. The P.&.O.Banking Corporation and Allahabad Bank Ltd.

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423

Draft D.O.

D O No 46 dated 23.11.21 from the Dewan to Dan. Dalal Esqr C I E Bombay.

No. 46
Issued 23.4.21
from Bangalore

To

D. M. Dalal, Esq., C.I.E.
Appolo Street,
Fort, B O M B A Y.

Dear Sir,

I have received your letter of the 18th instant and hasten to thank you f o r the readiness and kindness with which you have complied with my request. It is so very good of you to have given me the benefit of your advice.

The Mysore Government will have many occasions for seeking your advice and it will enable them to do so more freely, if t h e y can pay for your help. I shall be much --- obliged if you will kindly let me know your fees for consultation and advice.

Yours sincerely,

22.4.21
(Dewan.)

Dewan

94.

Camp No. A.

Issued on 24/5.5.21

24 May/1921.

REVISED DRAFT.

Do not camp A.D 25-5-21. from Mt Abu

My dear Col. Knox,

I received your D.O. letter of 12th April some time back, but deferred replying to it until we had settled our general budget programme for the next year.

2. In this connection, I would invite reference to Mr. Banerji's D.O. letter dated 13th August 1920 to Mr. Barton. As stated in that letter, it is within the competence of the Durbar to float the loan within the State, and the permission asked for, as stated in my D.O. dated 2nd April 1921, is only for throwing it open to investors outside the State. The Durbar do not feel assured that the local money market is capable of absorbing the whole amount required, viz., about one crore of rupees. It is only about nine months since the last loan was closed and considering the comparatively limited resources of the State and the prevailing trade depression, it is not possible to anticipate that the whole amount required can be raised within the State itself. In such circumstances, it is necessary to throw open the loan to outside investors and this can be done only after the next loan of the Government of India is closed. As the Durbar's loan, once

5. The following is a list of the productive works and the amounts required for them in the next year:-

1. Railways ...	30	lakhs.
2. Electrical Works	23	"
3. Krishnarajasagara Works ...	10	"
4. Iron Works ...	45	"
	108	lakhs.

1. Railways.

The expenditure on Railways is almost entirely on Open Lines. All expenditure on construction, in connection with the new lines sanctioned by the Government of India, has, in view of financial stringency, been stopped. The capital expenditure, now to be undertaken, is on absolutely necessary renewals and improvements, which had to be deferred during the period of the war, and which cannot further be postponed without detriment to public convenience and safety, deterioration of the lines and loss of revenue. The need for these improvements has been urged more than once by the Senior Government Inspector for Railways (Madras) and when the improvements are completed, the Durbar expect a substantial addition to the revenue.

2. Electrical Works.

The Electrical Works referred to relate to the Sixth Installation in connection with the Cauvery Power Works at Sivasamudram. This has been undertaken to meet

~~at Sivasamudram~~ and ~~of~~ extending irrigation.

The power generated at Sivasamudram with the first three installations, which were in existence ~~before~~ When the Dam work was commenced, was ~~13,000~~ H.P. With the completion of the first stage of the Dam, the power generated will be increased from ~~13,000~~ H.P. to 32,000 H.P. (on the completion of the Sixth Installation) The whole cost of the first stage of the Dam is meant to be taken as debitable to the Cauvery Power Works, the total cost of which, up to and including the Sixth Installation, will thus amount to ~~308~~ 309 lakhs as shown below:-

Electrical Works	~~201~~ 205 lakhs.
First stage of the Dam	104 "
	~~308~~ 309 lakhs.

The revenue from the 32,000 H.P. generated is estimated at ~~27~~ 32 lakhs.

The Dam, as already remarked, has to be brought up to the final stage without delay. The total estimate for the Dam Works is Rs.191 lakhs, inclusive of the 104 lakhs referred to above. The outlay expected to be incurred up to the end of this official year is 158 lakhs. The balance to be incurred will, therefore, be 33 lakhs and this expenditure cannot, in the opinion of the Board's Experts, be avoided or postponed. When the Dam is completed, it is intended to generate 4,000 H.P. at the dam site, at a cost of about ~~15~~ 17 lakhs, and this is expected to bring in a return of ~~2.9~~ 3 lakhs. At the same time, the storage in the reservoir will enable us to develop irrigation to the extent of about 70,000 acres. The necessary canals are estimated to cost 150 lakhs: but as the

K (101)

D.O Dated 25.5.21 from the Dewan w.r. the Huzur Secy w.r.t.

"Awdry House",
Fernhill, Nilgiris,
25th May 1921.

Delivered by hand

With reference to Mr. Campbell's letter dated the 19th instant in regard to the draft reply to the Residency on the subject of the proposed loan I have had the draft revised and now enclose for favour of submission to His Highness a copy of the letter as finally issued.

25.5.21

Amin-ul-Mulk,
Mirza M. Ismail, Esq., B.A.,
Huzur Secretary to His Highness
the Maharaja of Mysore.

CB. 1469.

CONFIDENTIAL

D.O.No.C/1027/380

THE RESIDENCY,
BANGALORE.

31st May 1921.

D.O No. C/1027/380 of 31.5.21 from the Secy to the Resident to the Dewan

Dear Mr Kantharaj Urs,

I am desired to acknowledge the receipt of your demi-official letter Camp.No.A dated, Ootacamund, the 24th May 1921, in connection with the loan which the Mysore Durbar propose to float.

2. I am to thank you for the careful and elaborate presentation of the Durbar's proposals. Colonel Knox, who as you know is on tour in Coorg, has not yet been able to refer to the various papers connected with the matter and he thinks that it will save time and possible postal mishaps if he takes up the case immediately on his return to Bangalore, and he hopes that he will be in a position to make his report to the Government of India in the matter without further troubling you.

Yours sincerely,

Secretary to the Resident in Mysore.

To,

Sardar.M.Kantharaj Urs. B.A.,C.S.I,
Dewan of Mysore,
"Fern Hill"
OOTACAMUND.

S/L

104

34 105

COMMUNICATIONS TO BE ADDRESSED
TO THE MANAGER.
TELEGRAPHIC ADDRESS: "MYSOREBANK."
CODE: A. B. C. 5TH EDITION.

The Bank of Mysore, Ltd.,
Bangalore, 18th June 1921

No. A/C

D.O dated 8th June 1921 from the Manager Bank of Mysore to the Jt. Secy

Dear Mr. Krishna Rao,

Thanks for sending me for perusal the draft notification for announcing the terms and conditions of the next Government Loan.

The issue of a 7% Loan will have a disastrous effect on the market value of the present 6¼% Loan for on a similar basis of return the latter's price will fall to about Rs.90. Further, you are not likely to receive any new money from holders of the 6¼% desirous to convert into the 6½% long dated loan, for obviously an investment in the 7% Loan is more attractive. Also, the market price of the 6½% loan will be estimated at about 93 with a 7% loan issued at par, i.e. the probability of an immediate discount of 7% on all new money invested in the 6½% long dated loan. On the other hand, a 6½% rate for both issues will have a steadying effect on the market prices of both loans, and the premium of 5% payable on redemption of the short dated loan will not only check depreciation, but also give a tendency for the loan to appreciate as the period of maturity approaches.

With the Government of India offering 6% only for its 5 or 10 years loans, I consider a 6½% rate sufficiently attractive. The Bombay Development Loan bearing the same rate of interest

rate of interest, is now quoted at a premium of 3%.

There is no use appealing to the untutored investing public at the cost of the genuine investor, the former's savings is not likely to be secured after his recent experiences of compulsory subscriptions to War Loans etc., but it is is the support of the latter class that Government must aim to win.

I am glad to see that detachable receipt forms for drawing half yearly interest are to be attached to the bonds, and if you can make some similar arrangement, on the bonds themselves, for recording the enfacement of interest, from time to time, it would save renewals.

Your conversion terms are quite satisfactory, but for reasons already stated I do not think the scheme will succeed, so far as the 6¼% holders are concerned !

If you are still in favour of the higher rate of interest it would be preferable to have one loan only, and allow conversion rights to the 6¼% holders at 99 provided 50% of new money is subscribed. Your success then is assured.

I will consider what arrangements we can make for your loan campaign, but try to do without an amildari campaign this time.

Yours Sincerely,

M. M. Krishna Rao Esq
Fin. Secy
Cantt Mysore

28 Lot

The Bank of Mysore Ltd.,

TELEGRAPHIC ADDRESS:-
"MYSOREBANK."
CODE – 5TH EDITION A.B.C.

All communications to be addressed
TO THE MANAGER.

Bangalore 30th June 1921

No 170 D O dated 30-6-21 from the manager Bank of Mysore to Rao Saheb

Dear Mr. Krishna Rao,

With reference to our conversation of the 22nd inst., and in continuation of my letter of the 18th June, I venture to submit the following suggestions with a view to induce the public and holders of the 6¼% loan to subscribe towards the proposed new 6½% Loan.

i. The issue price to be 97½%, thus giving an immediate return of 6 2/3% and a bonus of 2½% at maturity to new subscribers.

ii. To publicly announce that the holders of the 6½% Loan will be entitled to conversion rights at par in any future loan issued by the Government at a higher rate of interest.

iii. The present holders of the 6¼% Loan will secure a bonus of 3½% at maturity provided they subscribe new money to the extent of 33½% of their present holding with a return of 6¾% on their investment.

I think that if the foregoing proposals are carried into effect, the holders of the 6¼% Loan will feel that their interests have received every consideration from Government, and tend to check the present tendency to part with their paper at ruinous rates. I, again, repeat that it is most desirable for Government to win the co-operation of the holders of their

late issue as on their support, greatly depends the successful flotation of the Government Loan.

Yours Sincerely,

M. N. Krishna Rao Esq.,
Financial Secretary,
Mysore Government,
Bangalore.

109

ALL COMMUNICATIONS TO BE ADDRESSED
TO THE MANAGER.
TELEGRAPHIC ADDRESS: "MYSOREBANK."
CODE: A. B. C. 5TH EDITION.

No. D/U

The Bank of Mysore, Ltd.,

Bangalore, 5th July 1921

287

Dear Mr. Krishna Rao,

I am in receipt of your D.O.No.1 dated 2/4th July 1921.

I submit a few suggestions and amendments for your consideration. The final para in Term IX (c) of the 6½% Loan requires some consideration before its meaning can be readily appreciated. I have accordingly ventured to bring out the conversion rights more plainly by amending your para. Please note the printers error "or" for "for" in line 3. also in date "31st" 30 October".

The only point left for argument is your asking for 37½% in cash against my suggestion of 36½%. The difference arises through your accepting the 6¼% Bonds at 99% instead of 100%. It must be remembered that the discount of 1% allowed last year to subscribers of the Loan was by way of some inducement, and it does not appear equitable for Government to now fix the Cash Value of the Bonds at 99. You will save a deal of criticism by accepting the Bonds at their face falue. Besides, I am aware of some sales having been made at 100 per cent., and such holders will obviously lose 1% by conversion. I do not think Government need be alarmed at any rush for con-

conversion, but if you are fortunate to secure 40 lacs so much the better for your finances.

If you are agreeable the necessary alterations as shown in pencil in your illustration will be required.

You will observe that I have suggested your announcing the acceptance of interest coupons at any Treasury of the Government in payment of dues to Government, or for credit of account in the Bank of Mysore, and also the delivery of the Bonds over the counter by the Bank at their Head Office in exchange for all cash subscriptions.

The matter of your accepting the Government of India 5½% War Bonds for investment in the 6½% Loan can be met in the manner now proposed by me as I am prepared to accept such bonds as investments for the Bank.

Yours Sincerely,

M. N. Krishna Rao Esq.,
Financial Secretary,
Government of Mysore,
Bangalore.

Proposed amendments & alterations

of Terms of Loans No. 1 & 2.

A. For insertion in the Abstract of the Loan Terms.

Bonds of the New Issue will be delivered over the Counter by the Bank of Mysore Ltd. at their Head Office on receipt of cash subscriptions.

B. Proposed addendum to Term 2 or IV of 7% Loan & 3 or IV of 6½% Loan.

"And will be accepted at their face value at any Government Treasury in payment of any dues payable to Government and by the Bank of Mysore Ltd. at any of its Branches or agencies for credit of any account.

C. Proposed Term IX (c) of 6½% Loan.

Mysore Government 6¼% Bonds 1940 will be accepted at par as cash subscription to this loan provided an additional cash subscription of 36½% per cent of the face value of the Bond tendered for conversion is paid, when bonds of this loan of the face value of Rs.140 per cent. will be delivered in exchange for such cash payment and surrender of the bonds tendered for conversion.

D. Proposed Term IX (d) of 6½% Loan.

Government of India 5½% War Bonds.

Arrangements have been made with the Bank of Mysore Ltd. to accept any of the Government of India 5½% War Bonds at par for investment of proceeds in the 6½% Loan, and who will refund in cash to the holders of such loans the difference between the par value of the surrendered Bonds and the issue price viz. Rs.2-8-0 per cent.

117

Registered No. M.—1175.

The Mysore Gazette

EXTRAORDINARY.

PUBLISHED BY AUTHORITY.

BANGALORE, ~~THURS~~DAY, JULY 7, 1921.

NOTIFICATION.

No. Fl. 35, dated 4th July 1921.

MYSORE GOVERNMENT LOANS, 1921.

(Principal and Interest secured on the Revenues and Assets of the Government of Mysore.)

Subscription for (1) 10 year, 7 per cent Bonds, 1931, free of income-tax, and (2) 20-30 year, 6½ per cent Bonds, 1941-51, at issue price of 97½ per cent, free of income-tax, will be received from persons in the Mysore State, from 1st August to 31st October 1921 inclusive. Bonds of both Issues will be delivered over the counter on receipt of cash subscription.

Terms of Loan No. (1).

2. i. *Interest.*—Interest at the rate of 7 % per annum is payable half-yearly on the 1st of November and 1st of May. Advance interest at 7 % per annum from the date of receipt of application to 31st October 1921 will be paid at the time of sale or delivery of Bonds. Interest will be paid at any Treasury in Mysore or in British India, at which payment is desired or at the Bank of Mysore.

Interest on the Bonds will be income-tax free throughout their currency, but will be taken into account in determining the rate at which the tax will be levied on other income. Arrangements will be made with the Government of India for exempting from British Indian Income-tax interest on Bonds paid in British India.

ii. *Issue Price.*—The issue price will be Rs. 100 for every Rs. 100 of the Loan applied for.

iii. *Repayment.*—The Government of Mysore undertake to repay the Bonds at par on 1st November 1931 and to form a Sinking Fund for the purpose.

iv. *Form of Bonds.*—Bonds will be issued in the form of Promissory Notes transferable by endorsement, which may be exchanged for ~~Bearer Bonds or~~ Stock Certificates.

v. *Denomination of Bonds.*—Bonds will be issued in denominations of Rs. 12-8-0, Rs. 25, 50, 100, 500, 1000, 5000 or multiplies of Rs. 5000.

vi. *Form of Application.*—Bonds may be purchased on application in Form A or B attached hereto according as the subscription is in cash or in bonds, or in any other form which states clearly all the particulars required in the printed form.

vii. *Purchase of Bonds and Method of payment.*—Bonds will be sold at and may be obtained on application to—

(*a*) any Treasury (District or Taluk) in the State,
(*b*) the Headquarter Office or any branch of the Bank of Mysore,
and (*c*) the Branch of the Imperial Bank of India, Bangalore.

The amount due may be paid in cash or by cheque drawn on either of the Banks mentioned above in favour of the Officer in charge of the State Huzur Treasury or the Officer in charge of the Headquarter Office or any branch of the Bank of Mysore, or the Agent of the Imperial Bank of India, Bangalore, to whom applications and the issue price payable (cash or bonds) are tendered.

viii. *Subscription by withdrawal of Government Savings Bank Deposits.*—In the case of depositors in the Government Savings Banks, subscription to the Loan may be made by presenting withdrawal forms duly filled up together with Pass Books to the Treasuries at which accounts are kept.

ix. *Subscription by tender of bonds.*—The following bonds of the Government of Mysore and the Government of India will be accepted at par as the equivalent of cash in subscription and Bonds of equal face value of this Loan will be issued in lieu thereof. Interest at the rates these bonds carry will be paid up to date of presentation of application along with advance interest *vide* Term No. x *infra.*

Mysore Government.—4 per cent bonds repayable on 1st October 1921.
Governnent of India.—5½ per cent War bonds, 1921, 1922, 1923, 1925, or 1928.
6 per cent bonds, 1930, 1926, or 1931.

x. *Form of endorsing bonds tendered as subscription and procedure for obtaining the bonds applied for.*—Applicants who tender bonds in payment of subscription to this Loan should endorse them with the words "Pay to the Dewan of Mysore or order" over their signature and deliver them to the officer receiving the application who will give a temporary receipt. The Bonds applied for will be issued together with cheques for the advance interest due from date of receipt of application to 31st October 1921 *plus* interest accrued on the bonds tendered for conversion and exchange, on surrender on or after 1st December 1921 to the officers to whom applications are made of the temporary receipt duly signed as provided for therein.

Terms of Loan No. (2).

3. i. *Interest.*—Interest at the rate of 6½ per cent per annum is payable half-yearly on the 1st of November and 1st of May. Advance interest at 6½ per cent per annum from date of receipt of application to 31st October 1921 will be paid at the time of sale or delivery of Bonds. Interest will be paid at any Treasury in Mysore or in British India at which payment is desired or at the Bank of Mysore.

Interest on the Bonds will be income-tax free throughout their currency, but will be taken into account in determining the rate at which the tax will be levied on other income. Arrangements will be made with the Government of India for exempting from British Indian Income-tax interest on Bonds paid in British India.

ii *Issue Price.*—The issue price will be Rs. 97½ for every Rs. 100 of the Loan applied for.

iii. *Repayment.*—The Government of Mysore undertake to repay the Bonds at par on 1st November 1951 or at their option, on any earlier date after giving six months' notice but not before 1st November 1941. A Sinking Fund will be formed for the purpose.

iv. *Form of Bonds.*—Bonds will be issued in the form of Promissory Notes transferable by endorsement, which may be exchanged for ~~Bearer Bonds or~~ Stock Certificates.

v. *Denomination of Bonds.*—Bonds will be issued in denominations of Rs. 12-8-0, Rs. 25, 50, 100, 500, 1000, 5000 or multiples of Rs. 5,000.

vi. *Form of application.*—Application should be in Form A or C attached hereto according as the subscription is entirely in cash, or in bonds or in any other form which states clearly all the particulars required in the printed form.

vii. *Purchase of Bonds and Method of payment.*—Bonds will be sold at and may be obtained on application to—

(*a*) any Treasury (District or Taluk) in the State,
(*b*) the Headquarter Office or any branch of the Bank of Mysore,
and (*c*) the Branch of the Imperial Bank of India, Bangalore.

The amount due may be paid in cash or by cheque drawn on either of the Banks mentioned above in favour of the Officer in charge of the State Huzur Treasury, or any District or Taluk Treasury, or the Officer in charge of the Headquarter office or any branch of the Bank of Mysore or the Agent of the Imperial Bank of India, Bangalore, to whom application and the issue price payable (cash or bonds) are tendered.

viii. *Subscription by withdrawal of Government Savings Bank Deposits.*—In the case of depositors in the Government Savings Banks, subscriptions to the Loan may be made by presenting withdrawal forms duly filled up together with Pass Books to the Treasuries at which accounts are kept.

ix. *Conversion of previous Issues.*—(*a*) Mysore Govenment 4% bonds repayable on 1st October 1921 will be accepted at par and Bonds of equal face value of this Loan will be issued in lieu thereof, the balance over the issue price of Rs. 97½ per cent, *i.e.*, Rs..2½ per cent being refunded in cash at the time of delivery of Bonds.

(*b*) Mysore Government 5½% Conversion bonds, 1929-44, will be accepted in exchange for Bonds of equivalent face value of this Loan, *provided* an amount equal to 97½ per cent of the face value of the bonds tendered for conversion is paid in cash as additional subscription to the Loan.

(*c*) Mysore Government 6¼% bonds, 1940, will be accepted as subscription to this Loan *provided* an additional cash subscription of 37½% of the face value of the bonds tendered for conversion is paid, when Bonds of this Loan of the face value of 140 per cent will be delivered in exchange for such cash payment and the bonds surrendered.

Illustration.—A wants to convert into this Loan a 6¼ per cent bond of the face value of Rs. 500. On surrender of the bond and on payment of cash of Rs. 187½ *i.e.*, $\left(\frac{\text{Rs. } 37\frac{1}{2} \times 500}{100}\right)$ he will be given Bonds of this Loan of the face value of Rs. 700 *i.e.*, $\left(\frac{\text{Rs. } 140 \times 500}{100}\right)$.

In cases in which the face value of the Bonds to be delivered in exchange for bonds and cash tendered as above, is not equal to the amount of a Bond of any of the prescribed denominations, the balance to make up the issue price of the Bond applied for should also be paid in cash.

Note.—Interest at the rates these bonds carry will be paid up to date of presentation of application along with advance interest. *Vide* Term No. x *infra.*

x. *Form of endorsing bonds tendered as subscription and procedure for obtaining the Bonds applied for.*—Applicants who tender bonds of previous issues of the Government of Mysore in payment of subscription to this Loan should endorse them with the words "Pay to the Dewan of Mysore" over their signature and deliver them with the amount of cash, if any, payable *vide* Terms No. ix (*b*) *and* (*c*) *supra* to the officer receiving the application who will give a temporary receipt. The Bonds applied for will be issued together with cheques for advance interest due from date of receipt of application to 31st October 1921 *plus* accrued interest on the bonds tendered for conversion to date of presentation of application *plus* amount to be refunded under Term No. ix (*a*) *supra*, on surrender on or after 1st, December 1921 to the officers to whom applications are made, of the temporary receipt duly signed as provided for therein.

4. *Tender of Government of India 5½% War Bonds.*—Arrangements have been made with the Bank of Mysore, to accept the Government of India 5½% War Bonds at par for investment of their proceeds in this Loan; and the Bank will refund in cash to the tenderers of such bonds the difference between the par value of the surrendered bonds and the issue price of this Loan, *viz.*, Rs. 2½ per cent.

5. *Brokerage.*—Brokerage at ¼% will be paid to recognised Bankers and Brokers on applications for Bonds bearing their stamps.

By Order,

M. N. KRISHNA RAO,
Financial Secretary to Government.

7.7.21

To the compositor Mysore Gazette for issue today as an extraordinary Gazette for repeating the notification in the Weekly issues of the Gazette till 31-10-21

8.7.21

TREASURY SERIAL NO. A.

7 PER CENT LOAN 1931
6½ PER CENT LOAN 1941-51 (a).

FORM A—APPLICATION FOR LOAN.

A subscriber applying for both Loans should use a separate form for each Loan.

(To be used when subscription is wholly in cash.)

I / We (b) ..... herewith tender under the terms of Notification No. Fl. 98 dated 9th June 1921 Rs. (c) 6.7 6-21-4 (.....) in payment of the issue price at par for 97½% for 7% Bonds 1931 / 6½% Bonds 1941-51, (a) to be issued to me / us as follows:—

7 per cent Loan			6½ per cent Loan				Treasury at which payment of interest is desired
Face Value	No. of Bonds	Total amount payable	Face Value	Issue price	No. of Bonds	Total amount payable	
Rs.		Rs.	Rs.	Rs. a.		Rs.	Rs.
12½ ..			12½ ..	12 3			
25 ..			25 ..	24 6			
50 ..			50 ..	48 12			
100 ..			100 ..	97 8			
500 ..			500 ..	487 8			
1000 ..			1000 ..	975 0			
5000 ..			5000 ..	4875 0			
Multiples of Rs. 5000 required							
Total ..			Total ..				

Signature { Applicant.....
Tenderer (when Applicant does not appear).....

Full name of subscriber.....
(to be legibly written).

Place..... Full address.....

Date..... .....

Received the above Bonds and Cheque for advance interest (c) Rs.....as.....ps.....at 7 per cent per annum from.....1921 to 31st October 1921.

Date..... Signature of subscriber.....

(a) Score out the words not required.
(b) Here enter full name of the subscriber.
(c) Amount to be entered both in figures and words.

Space to count in words

9/7/21

TRY. SERIAL NO. B.

FORM B.

APPLICATION FOR 7 PER CENT LOAN 1931.

(To be used when subscription is tendered in bonds).

I/We * ..... herewith tender bonds as particularised in Statement No. 1 below under the terms of Notification No. 78 98 dated 9th July 1931 in payment of 7% bonds 1931 to be issued to me/us as detailed in Statement No. 2 below.

STATEMENT No. 1.—BONDS TENDERED.

(To be endorsed with the words "Pay to the Dewan of Mysore or order" over the signature of the Holder.)

Kinds of bonds	Face value	No. of pieces	Total face value
Mysore Government—			
4% bonds			
Government of India—			
5½% War bonds 1921, 1922, 1923, 1925, or 1928.			
6% bonds 1930, 1926, or 1931.			
Total, Rs. ...			

STATEMENT No. 2.—BONDS APPLIED FOR.

Face value	No. of bonds	Total face value of each denomination
		Rs.
Rs. 12½		
Rs. 25		
Rs. 50		
Rs. 100		
Rs. 500		
Rs. 1000		
Rs. 5000		
†Rs.		
Total ...		

Signature { Applicant.....
Tenderer.....
(when applicant does not appear).

Full name of subscriber.....
(to be legibly written.)

Full Address.....

Father's name.....

Husband's name in the case of married Hindu female.....

Name of guardian (if applicant is a minor) *i.e.*, father, mother or legal guardian.....

Place.....

Date.....

* Here enter full name of the subscriber.

† Multiples of Rs. 5,000 required.

TEMPORARY RECEIPT.

No.....

Received from.....bonds noted in Statement No. 1, for issue of bonds noted in Statement No. 2, of Application No. dated

The Bonds applied for will be delivered together with advance interest as under on surrender to the undersigned on or after 1st December 1931 of this receipt duly signed as provided for hereunder:—

	Amount Rs. a. p.
(1) Advance interest at 7 per cent per annum on the Bonds applied for from date of receipt of application to 31st October 1931.	
(2) Accrued interest on the bonds tendered for conversion or exchange up to date of application	
Total † ...	

Stamp of the Treasury or Bank.

Station.....

Date.....

Signature.....

Designation .....

Received in lieu hereof the Bonds and Cheque for interest for Rs. † .....as above.

Place.....

Date .....

.....
(Signature of subscriber.)

† Amount to be entered both in figures and words.

FORM C.

TRY. SERIAL NO. C.

Application for 6½ per cent Loan 1941-51.

(To be used when subscription is tendered in bonds.)

I / We * ..... herewith tender ~~bonds~~ / bonds and cash as particularised in Statement No. 1 below under the terms of Notification No. Fl. 9[illegible] dated 9th Dec 1921 in payment of 6½% Bonds, 1941-51 to be issued to me / us as detailed in Statement No. 2, below.

STATEMENT No. 1.—BONDS TENDERED.

(To be endorsed with the words "Pay to the Dewan of Mysore" over the signature of the Holder.)

Kinds of bonds	Face value	No. of pieces	Total face value
Mysore Government—4 % bonds			
5½ % Conversion bonds ...			
6¼ % bonds			
Total ...			

CASH TENDERED.

Rupees** .....

Being the***	Rs.	a.	p.
(i) 97½ per cent of the face value of Mysore Government 5½ per cent bonds noted above			
(ii) 37½ per cent of the face value of Mysore Government 6¼ per cent bonds noted above			
(iii) Additional cash subscription, if any, payable under clause 3(vii)			
Total ...			

STATEMENT No. 2.—BONDS APPLIED FOR.

Face value	No. of bonds	Total face value of each denomination
		Rs.
Rs. 12½		
Rs. 50		
Rs. 100		
Rs. 500		
Rs. 1000		
Rs. 5000		
*Rs.....		
Multiples of Rs. 5000 required		
Total ...		

***Being $\frac{100}{200}$ / $\frac{140}{}$ per cent of face value of $\frac{4}{5\frac{1}{2}}$ / $\frac{}{6\frac{1}{4}}$ per cent bonds tendered.

Signature { Applicant.....
Tenderer.....
(when Applicant does not appear)

Full name of Subscriber ....
(to be legibly written.)

Full address .....

R. O. 2—E P B—4 1921—1,000

C O N F I D E N T I A L

No. 6208 Enc. one

FROM

MAJOR C. T. C. PLOWDEN, I. A.,
SECRETARY TO THE RESIDENT IN MYSORE.

To Letter No 6208 dated July 1921 from the Secretary to the Resident with Secret

Sirdar Sir M. Kantaraj Urs, K.C.I.E., C.S.I.,
Dewan of Mysore.

Dated Bangalore. 14th July 1921.

SIR,

With reference to your demi-official letter Camp.No.A., dated the 24th May 1921, I am directed to enclose for your information a copy of a telegram No.1033-S., dated the 7th July 1921, from the Government of India in the Foreign & Political Department.

I have the honour to be,
Sir,
Your most obedient servant,

SECRETARY TO THE RESIDENT.

BJ

48 117

Copy of a telegram No.1033 S, dated the 7th July 1921, from the ~~Political Secretary to the Government of India~~, Foreign and Political Dept, ~~Delhi~~ to the Resident in Mysore.

---:0:---

Please refer to your demi-official letter No. 5882, dated July regarding Mysore Loan. The proposal to issue the Prospectus is approved by the Government of India who also accept your proposal contained in your letter No.5050, dated the 9th June, viz., after Government's Loan is closed to throw open Loan to outside public. Government Loan closes 30th July and the throwing open of the Loan should not be announced previously.

---:0:---

"C O P Y"

REGISTRAR, RESIDENT'S OFFICE.

BJ

120

Draft

236

GPR 6 — 21-19. 45 1 7

D.O. No. FE 216

FINANCIAL SECRETARIAT.

Dated Bangalore, 16th July 1921.

C 16 & 16.7.21 from Mr Jeir & Co to the Manager Bank of Mysore

Dear Mr. Rose,

I am glad to tell you that we have received the Government of India sanction to throw open our loans to investors outside the State from 1st August next. Accordingly the subscriptions to the -- loans within and without the State can begin simultaneously. I am also glad to tell you that the terms of our loan have also been approved by the Government of India.

Now that we have authority to sell Bonds outside the State, I shall thank you for advice as to the Banks through whom we should arrange for this work. With the help of your Bank, we arranged for this work on the last occasion through the Eastern Bank and the -- National Bank of India. We had also made independent arrangements with the Bank of Bombay for accepting subscriptions at its Head -- Office and all its Branches in that Presidency. On this occasion, we have to cast our net wider and make, if possible, better arrangements by way of wider publicity and also by enlisting the help of other Banks if possible, so that we may obtain a more satisfactory response than we were able to get from outside on the last occasion. Will you kindly correspond with on behalf of Government, with the Banks to whom you would entrust the work and obtain from them, some estimate, however rough, of the quantities and denominations of -- Bonds they are likely to require for sale from 1st August next?

19-1 You may tell them now that we have the sanction of the Government of India for accepting subscriptions from British Indian Investors from the first date from which the Loans will be open and in view of such sanction, the exemption from British Indian Income-tax may also be taken as having been allowed by the Govt of India not subject to the same

outside the State also from 1.8.21 that interest from them is free from British Indian Income-tax

Many thanks for your letter of yesterday in regard to the terms and conditions on which the Bank is willing to offer advances to the investing public. I hope to be able to address you shortly on the subject.

Yours sincerely,

W. C. Rose, Esq.

Copy to Comptroller.

In FE 217 dt 16/7/21

Bangalore
7th July 21

My dear Mr Krishna Rao.

Re. the vacancy in the Cooperative Department I find there is yet no application for the post that you have taken. I am further enquiring into the subject and shall communicate my decided opinion to you soon after discussing the question once more with the

Draft.

Hon'ble 50 (18)
Pol 64
Hon'ble 21 July 1921

To

The Secretary to the Resident in Mysore,
Bangalore.

Letter No Pol 64 dated 21-7-21 from the Dewan to the Hon'ble the Resident

Sir,

I am directed to acknowledge the receipt of your letter No.6208 dated the 14th July 1921 communicating a copy of the telegram received from the Government of India in regard to the Loan proposed to be floated by the Durbar. I am to request you to be so good as to move the Hon'ble the Resident to convey to the Government of India the thanks of the Durbar for having permitted them to accept subscriptions outside the State.

2. In this connection, I am to invite attention to the correspondence ending with letter No. Pol.1301 dated the 28th June 1921 in which the Durbar have requested that exemption from British Indian Income-Tax in respect of interest drawn on their bonds in British India may be notified in general terms so as to apply to all their loan issues -- past and future. No reply has yet been received to the above communication but in the meantime it is necessary to make a definite statement in regard to ~~the~~ British Indian Income-tax on the 7 % and 6½ % Loans which will be on offer from the 1st of August next. As the Government of India have permitted the acceptance of subscriptions to these Loans from subscribers outside the State and as the request of the Durbar in regard to the exemption is an

arrangement of reciprocity, they propose to notify in the Loan prospectus that interest on these two Loans if drawn in British India is free of British Indian Income-tax.

3. The exemption from Stamp duty intimated in your letter No.6091/135-20 dated the 9th July 1921 ~~in the form in which it is conveyed~~ applies only to the 6¼ % Loan of the Durbar. This is again an arrangement of reciprocity and it is necessary to assure outside investors that their interest receipts will be exempt from British Indian Stamp Duty. As in the case of income-tax, it is proposed to mention this ~~fact~~ also in the Loan prospectus.

I have the honour to be,

S i r,

Your most obedient servant,

Financial Secretary to Govt.

D.O.No. 6569

3523 57

THE RESIDENCY,

1921 - 1922 BANGALORE.

25th July 1921

6-21

47

Dear Sir,

I am desired to refer to your letter No. Pol. 64, dated the 21st July 1921, regarding the Mysore Loan. The orders of the Government of India have been called for urgently by telegram in regard to the questions raised in your letter and they will be communicated to the Durbar on receipt. But it is not advisable to make the announcements in question till the orders of the Government of India have been received and communicated to the Durbar.

Yours sincerely

M. N. Krishna Rao, Esq., B.A.,
Financial Secretary to the Government of
His Highness the Maharaja of Mysore.

BJ

Urgent Pol 141

R. O. 2.—R P B—4 1921—1,000.

No. 6749 ENC.
135-1920.

DIARY No. 410

19 — 11
Section.
File No. (624)
Serial No.

FROM

MAJOR C. T. C. PLOWDEN, I. A.,
SECRETARY TO THE RESIDENT IN MYSORE.

GEN & REV. To
29 JUL 1921
Copy Library

The Financial Secretary to the Government of
His Highness the Maharaja of Mysore.

Dated Bangalore. 29th July *192* 1.

SIR,

With reference to your letter No. Pol.64, dated the 21st July 1921, regarding the Mysore Loan, 1921, I am directed to state that the Government of India have been pleased to exempt from liability to income-tax interest paid to or received by persons in British India and from the payment of stamp duty receipts granted for payment of interest in British India in respect of the loan which the Durbar contemplate floating this year. The necessary notifications will issue when the ~~Lowan~~ loan has been actually floated.

I have the honour to be,
Sir,
Your most obedient servant,

SECRETARY TO THE RESIDENT.

124

BJ

NOTIFICATION.

No. Fl. 98—G. E. 6-21-4, dated 9th July 1921, as revised in No. 585, dated 1st August 1921.

MYSORE GOVERNMENT LOANS, 1921.

Principal and Interest secured on the Revenues and Assets of the Government of Mysore.

With the permission of the Government of India, the Loans are thrown open for subscription throughout India.

Subscription for (1) 10 year, 7 per cent Bonds, 1931, free of income-tax, and (2) 20-30 year, 6½ per cent Bonds, 1941-51, at issue price of 97½ per cent, free of income-tax, will be received from persons throughout India from 1st August to 31st October 1921 inclusive. Bonds of both Issues will be delivered over the counter on receipt of cash subscription.

Terms of Loan No. (1).

2. i. *Interest.*—Interest at the rate of 7 % per annum is payable half-yearly on the 1st of November and 1st of May. Advance interest at 7 % per annum from the date of receipt of application to 31st October 1921 will be paid at the time of sale or delivery of Bonds. Interest will be paid at any Treasury in Mysore or in British India, at which payment is desired or at the Bank of Mysore.

Interest on the Bonds will be income-tax free throughout their currency, but will be taken into account in determining the rate at which the tax will be levied on other income. Interest on Bonds paid in British India will be free of British Indian Income-tax also and receipts for drawing such interest are exempt from British Indian Stamp duty.

ii. *Issue Price.*—The issue price will be Rs. 100 for every Rs. 100 of the Loan applied for.

iii. *Repayment.*—The Government of Mysore undertake to repay the Bonds at par on 1st November 1931 and to form a Sinking Fund for the purpose.

iv. *Form of Bonds.*—Bonds will be issued in the form of Promissory Notes transferable by endorsement, which may be exchanged for Stock Certificates.

v. *Denomination of Bonds.*—Bonds will be issued in denominations of Rs. 12-8-0, Rs. 25, 50, 100, 500, 1000, 5000 or multiplies of Rs. 5000.

vi. *Form of Application.*—Bonds may be purchased on application in Form A or B (separately supplied on requisition) according as the subscription is in cash or in bonds, or in any other form which states clearly all the particulars required in the printed form.

vii. *Purchase of Bonds and Method of payment.*—Bonds will be sold at and may be obtained on application to—

(*a*) any Treasury (District or Taluk) or office of Deputy Amildar in charge of Sub-Taluk in the State,

(*b*) the Headquarter Office or any branch of the Bank of Mysore,

and (*c*) (1) The Imperial Bank of India, Bombay and Madras and Branches.
(2) The National Bank of India, Bombay and Madras.
(3) The Eastern Bank, Bombay and Calcutta.
(4) The Alliance Bank of Simla, Bombay, Calcutta and Simla.
(5) The Central Bank of India, Bombay.
(6) The Mercantile Bank of India, Bombay and Madras.
(7) The Tata Industrial Bank, Bombay and Madras.
(8) The Bank of India, Bombay.
(9) The Indian Bank, Madras.
(10) The Chartered Bank of India, Australia and China, Madras.

The amount due may be paid in cash or by cheque drawn on any of the Banks mentioned above in favor of the Officer to whom applications and the issue price payable (cash or bonds) are tendered.

viii. *Subscription by withdrawal of Government Savings Bank Deposits.*—In the case of depositors in the Government Savings Banks, subscription to the Loan may be made by presenting withdrawal forms duly filled up together with Pass Books to the Treasuries at which accounts are kept.

ix. *Subscription by tender of bonds.*—The following bonds of the Government of Mysore and the Government of India will be accepted at par as the equivalent of cash in subscription and Bonds of equal face value of this Loan will be issued in lieu thereof. Interest at the rates these bonds carry will be paid up to date of presentation of application along with advance interest *vide* Term No. x *infra.*

Mysore Government.—4 per cent bonds repayable on 1st October 1921.
Government of India.—5½ per cent War bonds, 1921, 1922, 1923, 1925, or 1928.
6 per cent bonds, 1930, 1926, or 1931.

x. *Form of endorsing bonds tendered as subscription and procedure for obtaining the bonds applied for.*—Applicants who tender bonds in payment of subscription to this Loan should endorse them with the words "Pay to the Dewan of Mysore or order" over their signature and deliver them to the officer receiving the application who will give a temporary receipt. The Bonds applied for will be issued together with cheques for the advance interest due from date of receipt of application to 31st October 1921 *plus* interest accrued on the bonds tendered for conversion and exchange, on surrender on or after 1st December 1921 to the officers to whom applications are made of the temporary receipt duly signed as provided for therein.

Terms of Loan No. (2).

3. i. *Interest.*—Interest at the rate of 6½ per cent per annum is payable half-yearly on the 1st of November and 1st of May. Advance interest at 6½ per cent per annum from date of receipt of application to 31st October 1921 will be paid at the time of sale or delivery of Bonds. Interest will be paid at any Treasury in Mysore or in British India at which payment is desired or at the Bank of Mysore.

Interest on the Bonds will be income-tax free throughout their currency, but will be taken into account in determining the rate at which the tax will be levied on other income. Interest on Bonds paid in British India will be free of British Indian Income-tax also and receipts for drawing such interest are exempt from British Indian Stamp duty.

ii *Issue Price.*—The issue price will be Rs. 97½ for every Rs. 100 of the Loan applied for.

iii. *Repayment.*—The Government of Mysore undertake to repay the Bonds at par on 1st November 1951 or at their option, on any earlier date after giving six months' notice but not before 1st November 1941. A Sinking Fund will be formed for the purpose.

iv. *Form of Bonds.*—Bonds will be issued in the form of Promissory Notes transferable by endorsement, which may be exchanged for Stock Certificates.

v. *Denomination of Bonds.*—Bonds will be issued in denominations of Rs. 12-8-0, Rs. 25, 50, 100, 500, 1000, 5000 or multiples of Rs. 5000.

vi. *Form of application.*—Application should be in Form A or C (separately supplied on requisition) according as the subscription is entirely in cash or in bonds or in any other form which states clearly all the particulars required in the printed form.

vii. *Purchase of Bonds and Method of Payment.*—Bonds will be sold at and may be obtained on application to—

(*a*) any Treasury (District or Taluk) or office of Deputy Amildar in charge of Sub-Taluk in the State,
(*b*) the Headquarter Office or any branch of the Bank of Mysore,
and (*c*) (1) The Imperial Bank of India, Bombay and Madras and Branches.
(2) The National Bank of India, Bombay and Madras.
(3) The Eastern Bank, Bombay and Calcutta.
(4) The Alliance Bank of Simla, Bombay, Madras, and Simla.
(5) The Central Bank of India, Bombay.
(6) The Mercantile Bank of India, Bombay.
(7) The Tata Industrial Bank, Bombay, and Madras.
(8) The Bank of India, Bombay.
(9) The Indian Bank, Madras.
(10) The Chartered Bank of India, Australia and China, Madras.

The amount due may be paid in cash or by cheque drawn on any of the Banks mentioned above in favor of the Officer to whom application and the issue price payable (cash or bonds) are tendered.

viii. *Subscription by withdrawal of Government Savings Bank Deposits.*—In the case of depositors in the Government Savings Banks, subscriptions to the Loan may be made by presenting withdrawal forms duly filled up together with Pass Books to the Treasuries at which accounts are kept.

ix. *Conversion of previous Issues.*—(*a*) Mysore Government 4% bonds repayable on 1st October 1921 will be accepted at par and Bonds of equal face value of this Loan will be issued in lieu thereof, the balance over the issue price of Rs. 97½ per cent, *i.e.*, Rs. 2½ per cent being refunded in cash at the time of delivery of Bonds.

(*b*) Mysore Government 5½% Conversion bonds, 1929-44, will be accepted in exchange for Bonds of equivalent face value of this Loan, *provided* an amount equal to 97½ per cent of the face value of the bonds tendered for conversion is paid in cash as additional subscription to the Loan.

(*c*) Mysore Government 6¼% bonds, 1940, will be accepted as subscription to this Loan *provided* an additional cash subscription of 37½% of the face value of the bonds tendered for conversion is paid, when Bonds of this Loan of the face value of 140 per cent will be delivered in exchange for such cash payment and the bonds surrendered.

Illustration.—A wants to convert into this Loan a 6¼ per cent bond of the face value of Rs. 500. On surrender of the bond and on payment of cash of Rs. 187½ *i.e.*, $\left(\text{Rs. } \frac{37\frac{1}{2} \times 500}{100}\right)$ he will be given Bonds of this Loan of the face value of Rs. 700 *i.e.*, $\left(\frac{\text{Rs. } 140 \times 500}{100}\right)$.

In cases in which the face value of the Bonds to be delivered in exchange for bonds and cash tendered as above, is not equal to the amount of a Bond of any of the prescribed denominations, the balance to make up the issue price of the Bond applied for should also be paid in cash.

Note.—Interest at the rates these bonds carry will be paid up to date of presentation of application along with advance interest. *Vide* Term No. x *infra*.

x. *Form of endorsing bonds tendered as subscription and procedure for obtaining the Bonds applied for.*—Applicants who tender bonds of previous issues of the Government of Mysore in payment of subscription to this Loan should endorse them with the words "Pay to the Dewan of Mysore" over their signature and deliver them with the amount of cash, if any, payable *vide* Terms No. ix (*b*) *and* (*c*) *supra* to the officer receiving the application who will give a temporary receipt. The Bonds applied for will be issued together with cheques for advance interest due from date of receipt of application to 31st October 1921 *plus* accrued interest on the bonds tendered for conversion to date of presentation of application *plus* amount to be refunded under Term No. ix (*a*) *supra*, on surrender on or after 1st December 1921 to the officers to whom applications are made, of the temporary receipt duly signed as provided for therein.

4. *Tender of Government of India 5½% War Bonds.*—Arrangements have been made with the Bank of Mysore, to accept the Government of India 5½% War Bonds at par for investment of the proceeds in this Loan; and the Bank will refund in cash to the tenderers of such bonds the difference between the par value of the surrendered bonds and the issue price of this Loan, *viz.*, Rs. 2½ per cent.

5. *Brokerage.*—Brokerage at ¼% will be paid to recognised Bankers and Brokers on applications for Bonds bearing their stamps.

By Order,

M. N. KRISHNA RAO

Financial Secretary to Government

No.2529-F.
Government of India.
Finance Department.
Simla, the 7th September 1921.

Separate Revenue
Income-tax.

Notification.

In exercise of the power conferred by Section 44 of the Indian Income-tax Act, 1918 (VII of 1918), the Governor General in Council is pleased to exempt from liability to the tax payable under the said Act interest paid to, or received by, persons to whom the said Act applies on the securities of the Mysore Durbar specified below:-

Ten year 7 per cent, income tax free, Bonds of 1921
Twenty to thirty year 6½ per cent, income-tax free, Bonds of 1921.

Sd. G. G. Sim,
Joint Secretary to the Government of India.

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No.1946-S.
Government of India
Department of Commerce.

Simla, the 17th September 1921.

Notification.
(Stamps).

In exercise of the powers conferred by clause (a) of Section 9 of the Indian Stamp Act, 1899 (II of 1899) the Governor General in Council is pleased to remit the

TELEGRAM & CABLE ADDRESS:
WIDEAWAKE BOMBAY.

TELEPHONE NO. 300

Bang Mysl. Govt
21.4.21
R. Dy

MERWANJEE & SONS, BOMBAY

STOCK, BULLION, EXCHANGE & FINANCE BROKERS.

DIARY No. 4458 Bombay, 18th April 1921. D.

APOLLO STREET, FORT.

Dy — 1
Secl'r
File
Entd

Dear Dewan Saheb:

Your D.O. No.584.

I beg to acknowledge the receipt of your letter dated, Bangalore, the 2nd instant, and much regret the delay in replying owing to indisposition and owing to pressure of work. I was also waiting to see the result of last week's visit of the Hon'ble Finance Member to this city.

It is a matter of congratulation that the Mysore Government has been successful in floating a public loan of one crore of rupees in July last and that it was oversubscribed. Beside the Government of India and the Government of Bombay no other Government in India has been able to secure such a large subscription.

As you are aware, the Government of Bombay last year successfully floated Rs.9,37,00,000 of 6 1/2 per cent Development Loan having a currency of 15 years. The Bombay Port Trust, the Bombay Improvement Trust, and the Bombay Municipality have great extension programmes, and it is believed that these Corporations will require between five to seven crores this year and that the Government of Bombay will have to issue another instalment of their loan. While there is no definite news on the subject it is believed that it will have to be a 6 1/2 per cent loan free of income tax as in the previous year, and probably it will have a currency of fifteen years.

The Government of India have budgetted for a loan of Rs.15,00,00,000, and they have to pay off on 15th September, 1921, Rs.15,41,52,000 of the 5 1/2 per cent War Bonds maturing in 1921. The Railway Committee was inquiring whether thirty crores cannot be raised year after year for the extension of the Indian railway system. It is here believed that the Government of India will require fifteen crores to pay off its matured bonds, and if larger amount could be raised it can be employed for railway and irrigation purposes. The Government of India Treasury Bills have grown to Rs.1,10,60,95,000, and the Government is also desirous of funding its floating debt. The general expectation in this market is that the Government of India will come out with a loan about July and it will not be at a rate higher than six per cent clear of income tax. For certain statements connected at the time of issue

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DELAWAKE BOMBAY.

TELEPHONE NO. 300

MERWANJÉE & SONS, BOMBAY.
STOCK, BULLION, EXCHANGE & FINANCE BROKERS.

Bombay 18th April 1921. D.
APOLLO STREET, FORT.

of the 5 per cent Income Tax Free Loan the Government of India cannot come on the market with a bond of longer than ten-year currency. It is believed that the Government of India will come out with a loan very much on the lines of last year.

I must candidly tell you that I do not see any prospect of the Bombay market absorbing any of the Mysore Government loan, and you will have to appeal to the same clientele which came to the help of your Government last year. My suggestion is that it should be a 6 1/2 per cent loan having a currency of 30 to 50 years.

No doubt, India will expand very rapidly and it will be possible for the Indian States as well as the Government of India and the Provincial Governments to float large loans in future. There will be certain obstacles for the first two or three years, but thereafter broad and expanding markets in Government securities are likely.

Yours sincerely,

Nadirsha Merwanjee Dalal

To

Rajaseevadhurina Sirdar M. Kantaraj Urs Esq., B.A., C.S.I.
Dewan Saheb of Mysore,
Bangalore.

Previous reference—

FILE No. 6 of 1921.

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

PROCEEDINGS OF THE GENERAL AND REVENUE DEPARTMENTS.

GENERAL FINANCE.

"A" Collection, Serial Nos 1-19a and 47-48

Correspondence with the Residency re the 7 per cent and 6½ per cent State Loans of 1921.

TABLE OF CONTENTS.

Serial No.	Number and date of letter with contents	Reference	Page in A Proceedings.
	PART I.		
1	D. O. 583, dated 2nd April 1921, to the Hon'ble the Resident informing Residency of the desire of the Durbar to raise a loan after the Government of India Loan is closed.	...	19
2	D. O. No. 584, dated 2nd April 1921, to Mr. Dadabi Dalal, Bombay, asking for his advice.	...	19
3	D. O. No. 308, dated 4th April 1921, to the Manager, Bank of Mysore, requesting advice in the matter of the Mysore Loans to be floated in 1921.	...	19
4	D. O. No. 398, dated 7th April 1921, from the Residency, with reference to Serial (1) calling for further particulars.	...	20
5	D. O. No. 595, dated 7th April 1921, to the First Assistant to the Hon'ble the Resident, stating that the exact date of floatation is not yet settled and that the Loan will be thrown open outside Mysore after the close of Government of India Loan.	...	20
6	D. O. dated 12th April 1921, from the First Assistant to the Hon'ble the Resident, calling for detailed information.	...	20
7	D. O. dated 16th April 1921, from the Manager, Bank of Mysore, offering his views on the proposed loans.	...	21
8	Letter dated 18th April 1921, from Mr. Dadabi Dalal, furnishing his views on the proposed loans to be issued.	...	24
9	D. O. No. 46, dated 23rd April 1921, to Mr. Dadabi Dalal, thanking him for the advice.	...	24
10	D. O. No. 47, dated 23rd April 1921, to Huzur Secretary, to His Highness, enclosing for information the advice of Mr. Dalal and the Manager, Bank of Mysore.	...	24
11	D. O. dated 19th May 1921, from the Huzur Secretary, to His Highness the Maharaja of Mysore, to the Dewan suggesting that the draft to Residency be revised.	...	4
12	D. O. No. Camp A., dated 24—25th May 1921, from the Dewan, to the Hon'ble the Resident, furnishing the detailed information called for in Serial 6.	...	24—26
13	D. O. dated 25th May 1921, to the Huzur Secretary to His Highness the Maharaja of Mysore, from the Dewan, enclosing for information copy of letter issued to the Residency,	...	26
14	D. O. No. C. 1027-380, dated 31st May 1921, from the Secretary to the Resident, acknowledges receipt of Serial No. 12.	...	26
15	D. O. No. 390, dated 15th June 1921, from the Financial Secretary, to Mr. Rose, forwarding for opinion copy of Draft Loan Notification proposed to be issued.	...	26—27

Serial No.	Number and date of letter with contents	Reference	Page in A Procee ngs
16	D. O. dated 18th June 1921, from W. C. Rose, Esq., offering his opinion thereon.	..	27
17	Letter dated 30th June 1921, from Mr. W. C. Rose, to Financial Secretary to Government, offering certain suggestions for inducing investment of 6½ per cent Loan into the New Loans.	..	27
17(a)	D O. dated 5th July 1921, from Mr. Rose.	..	28
18	Letter No. 6208, dated 14th July 1921, from the First Assistant to the Hon'ble the Resident in Mysore, to the Dewan, conveying sanction of Government of India for floating the Durbar's Loans outside Mysore.	...	29
19	Letter No. Fl. 216, dated 16th July 1921, from the Financial Secretary to W. C. Rose, Esq., Manager, Bank of Mysore, intimating that sanction of Government of India has been received and requests advice as to the Banks outside, through which the Loan work can be arranged for.	..	29
19(a)	Letter No. Pol. 64, dated 21st July 1921, to the Secretary to the Resident, conveying the thanks of the Durbar for the sanction of Government of India and requests early orders *re* their representation for exemption from income-tax on their loans.	..	29
47	D. O. No. 6569, dated 25th July 1921, from the Secretary to the Resident, stating that Government of India has been addressed in the matter but that pending sanction the fact should not be announced in the Notification.	..	30
47(a)	Letter No. 6749, dated 29th July 1921, from the Secretary to the Resident, to the Financial Secretary, communicating sanction of exemption from British Indian Income-tax interest on the New Loan Bonds of 1921.	..	30
48	Revised Notification No. Fl. 585, dated 1st August 1921. Throws the loans open to India.	..	30—36
	PART II.		
	(*Floatation of a Sterling Loan.*)		
1	Letter No. 688, dated 13th June 1921, from the Dewan, to D. M. Dalal, Esq.	..	36
2	Letter dated 20th June 1921, from the Manager, Bank of Mysore.	...	37
3	Letter dated 16th June 1921, from Mr. D. M. Dalal, to the Dewan.	..	37
4	Letter No. 708, from the Dewan to Mr. Dalal.	..	38

1921-22.

GENERAL AND REVENUE SECRETARIAT

(*GENERAL FINANCE.*)

NOTES.

The 7 per cent and 6½ per cent State Loans of 1921.

Financial Secretary's Note dated 17th March 1921.

In presenting to the Legislative Council the Financial Statement of the Government of Madras, the Hon'ble Mr. Todhunter made the following statement: "The "Government were advised that it would not be possible for them to raise money, "until July or August and that if they went to the market then they would have to do "so, immediately after the raising of a large Government of India Loan ; nor were "the Government of India prepared to guarantee that they would be allowed to offer "so high a rate of interest as was locally thought to be necessary." This points to the probability of an early loan campaign by the Government of India.

We have to consider our own position in regard to borrowing in relation to the Government of India floatation foreshadowed in Mr. Todhunter's statement. As I have explained in my note on the Capital Budget for 1921-22, borrowing in the next year is a necessity. What amount should be raised is under the consideration of the Council. Considering the conditions of the money market, our demand should be limited to the irreducible minimum. Should our loan operations prove more successful than we can anticipate now, we can easily expand the capital programmes and provide for a quicker completion of the works in progress. If the Government of India enter the money market earlier this year as appears to be likely from what is stated above, we should be prepared with arrangements to make our own floatation about the same time. Otherwise, funds available for investment even within the State would be absorbed by the Government of India loan. It is even probable, should the terms of the Government of India issue be attractive, that there may be heavy withdrawals from our Savings Banks. Instead of getting money for meeting our own demands, we may have to find money for repaying Savings Bank deposits. It is therefore necessary to announce our loan before or at about the same time, the Government of India loan list is opened. How long our loan should be open would depend upon the period during which the Government of India loan will be open for subscription. The response from outside the State to our last loan was by no means large and yet we cannot, I think, give up the outside market altogether, as the prospects of our being able to obtain the whole amount that we want within the State itself are by no means reassuring. It will therefore be necessary to wait until the Government of India have retired from the field and then accept subscriptions from investors outside the State.

What should be the terms of our loan is a very difficult point on which I think it is not immediately possible to arrive at any decision. It seems to me to be necessary to take expert advice on this point, by consulting some eminent financiers like Mr. Dalal of Bombay.

In our letter No. 150, dated 13th August 1920, we have informed the Residency that there is no need for the sanction of the Government of India for floating a loan within the State. Their sanction is only necessary to our accepting subscriptions from investors in British India. I would in these circumstances, propose that a communication may be addressed to the Residency stating that for financing our productive

public works now in progress, we contemplate raising a public loan at a time suitable for such floatation and that the sanction of the Government of India may kindly be obtained for our throwing open the loan to investors outside the State, after the list for the next loan of the Government of India is closed.

M. N. K.
17-3-21.

This question was discussed at the last meeting of the Council at which a decision was arrived; at, the Financial Secretary will please put up a draft letter to the Residency which may be considered at the next meeting of the Council on the 24th instant.

M. K.
19-3-21.

I put up a draft D. O. to the Residency. It is not proposed to apply for specific permission to extend our loan to British India. This question was discussed at great length on the last occasion and the understanding arrived at was that our right to float a loan within the State is unfettered and that we may accept subscriptions from investors outside the State, when there is no loan of the Government of India itself on the market. The proposed communication is in the nature of a simple report to the Residency.

As I have already stated in my note dated the 17th instant, the terms of loan require to be settled in consultation with authorities in close touch with the money market. I have accordingly proposed to address Mr. Dalal for advice.

M. N. K.
26-3-21.

Drafts approved.

A. D. S. N. may be put up

M. K.
28-3-21.

D. S. N. is put up

M. N. K.
28-3-21.

Submission Note to His Highness.

Subject.—Preliminary arrangements for raising the next Mysore Loan.

The reduction in the rate of interest of the Imperial Bank of India from 7 to 6 per cent unusual at this time of the year and some statements made by the Finance Member of the Government of Madras in presenting the Budget to the Legislative Council of that Government point to an early loan floatation by the Government of India. We have also to take action as regards our own loan floatation. According to the arrangement arrived at in connection with the last loan, we cannot accept subscriptions from investors in British India when a loan of the Government of India is on offer. If we do not announce our loan at about the time that the Government of India open their loan list, there is the risk of the available capital within the State being diverted to the Government of India loan and it may even happen, should the terms of the Government of India loan be very attractive that we may have to find money for financing withdrawals from Savings Banks for subscribing to the Government of India loan. In these circumstances, we have to make preliminary arrangements necessary for raising our next loan. It is accordingly proposed to inform the Residency that it is necessary for us to raise another public loan, that we shall do so at a time suitable for the floatation and that we shall only accept subscriptions from investors outside the State after the loan list of the Government of India is closed. It is also proposed to consult Mr. D. M. Dalal of Bombay as regards the terms which we should offer to make the loan a success. It is unlikely that the whole amount of about a crore that we require can be subscribed within the State itself. It is necessary to get subscriptions from outside and Bombay is the most resourceful market in India. It is therefore proposed to obtain the advice of Mr. Dalal who knows the conditions in Bombay best. I solicit the gracious approval of His Highness to the issue of the drafts to the Residency and to Mr. Dalal.

Order.

K. R. W.
31-3-21.

Fair copies of the drafts approved by the Dewan, have issued.

2-4-21

D. O. No. 583, dated 2nd April 1921, to the Hon'ble the Resident, intimating the Durbar's intention to float a loan early.

D. O. No. 584, dated 2nd April 1921, to Mr. D. M. Dalal, Bombay, consulting him regarding the floatation of a loan.

We have written to Mr. D. M. Dalal for advice in regard to the terms of issue of our next loan. It is necessary to consult a local authority in regard to the state of the money market in the State and the conditions of the issue likely to appeal to investors in that market. I accordingly propose to address Mr. Rose of the Bank of Mysore as in the draft placed below.

M. N. K.
2-4-21

Approved.

M. K.
2-4-21

D. O. No. 308, dated 4th April 1921, to Mr. W. C. Rose, Bangalore, consulting him regarding the floatation of a loan.

D. O. No. 3398, dated 7th April 1921, from the Residency,

With reference to serial 1, calls for further particulars.

I put up a draft reply to the above D. O.

M. N. K.
7-4-21

Approved by the Dewan. Fair copy signed by the Dewan has issued.

7-4-21

D. O. No. 595, dated 7th April 1921, to the First Assistant Resident,

States that the exact date of floatation is not yet settled and that the loan will be thrown open outside Mysore after the closure of the Government of India loan.

D. O. dated 12th April 1921, from the First Assistant Resident, calling for detailed information.

Letter dated 16th April 1921, from the Manager, Bank of Mysore, offering his views on the proposed loans.

Letter dated 18th April 1921, from D. M. Dalal, Esq.

Mr. Dalal was consulted with the permission of His Highness and it appears to be desirable to submit his letter also for the information of His Highness. I accordingly put up a draft D. O. to the Private Secretary to His Highness.

M. N. K.

Drafts approved. I think a copy of Mr. Rose's letter also may be sent up confidentially.

M. K.
22 4-21

D. O. No. 46, dated 23rd April 1921, to Mr. D. M. Dalal of Bombay, acknowledges receipt of his letter, dated 18th April 1921 and thanks him for his ready compliance.

D. O. No. 47, dated 23rd April 1921, to the Huzur Secretary. Encloses for information copy of Mr. Dalal's letter dated 18th April 1921 and the copy of Mr. Rose's letter, dated 16th April 1921.

At the last meeting of the Council, it was decided to balance the budget and the notes of discussion drawn up by me have not yet been approved. As Col. Knox's letter has long remained unanswered, I put up a draft reply for consideration.

The draft assumes that at any cost the budget for next year will be balanced. As regards the terms of the loan, I have put forward only tentative proposals and stated

definitely that they are provisional and may be altered. I have stated that we would, if necessary, go in for two kinds of loans, a short-term one and a long-term one to suit the requirements of investors who are generally of two classes, those who want the certainty of a fixed income for as long a period as possible and those who want to realise their investments as a matter of certainty within as short a period as possible. As I explained to the Council in person, we can decide upon the exact terms of our loan only after we know those of the next loan of the Government of India.

M. N. K.
3-5-21

Please circulate to the Members of Council for consideration at the next meeting of Council. I think the draft reply is suitable.

M. K.
4-5-21

To the Chief Secretary with compliments.

M. N. K.
4-5-21

Draft reply to the Residency regarding the next Mysore Loan.

Opinion of the Council.

Draft to be revised by the Financil Secretary.

K. M.
9-5-21

To the Financial Secretary with compliments.

K. M,
10-5-21

A revised draft is put up. Attention is invited to para 6 of the letter No. Pol. 200, dated the 13th August 1920, to the First Assistant Resident. It is in accordance with this understanding that it has been proposed to accept outside subscriptions after the next Government of India loan is floated.

M. N. K.
10-5-21

K. M.
11-5-21

Submitted to His Highness.

I beg to submit for His Highness' gracious approval draft of a letter proposed to be sent to the Hon'ble the Resident in reply to his letter of the 12th April 1921 regarding the next Mysore Loan.

M. KANTARAJA URS.
12-5-21

D. O. dated 19th May 1921, from the Assistant Secretary to His Higness, to the Dewan.

I am directed to return the accompanying file and to say that His Highness cannot help feeling that the draft reply to the Residency does not give sufficient information about the large productive works undertaken by the Durbar. The Resident has definitely asked not only for a list of such works, but for expert opinions as to their productiveness and the grounds on which such opinions are held. It may be that such a demand is unreasonable, but the draft reply gives no reasons for withholding the detailed information asked for. Would it not be possible to satisfy the Resident on this point either at a personal interview or by including some more information on these points ? It would be sufficient, His Highness thinks, to quote expert opinions such as those of Messrs. Marshall and Perin and our Chief Engineers, without troubling about the grounds on which those opinions are held.

His Highness approves of the remainder of the draft and leaves it to you to amplify it on the lines above suggested. As the matter is urgent, I am to say that the papers need not be re-submitted for His Highness' orders.

R. H. C.

Order.
K. R. W.
17-5-21.

Received 31st May 1921.

Chief Secretary,

Please submit to the officating 1st Member and submit a revised draft on the lines indicated very early.

M. K.

If it is possible to get the draft ready by to-morrow evening I can approve it before I leave and sign the fair copy also.

M. K.

For perusal and orders. I shall, if convenient to the Member, come over now for personal instructions, if any.

First Member . K. M.
21-5-21

If not inconvenient to you, I shall be glad to see you about this about 8-30 A.M., to-morrow.

P. R. R.
21-5-21

Draft as revised and passed by me this morning may now be submitted for the Dewan's approval. I should suggest a copy being sent for the information of His Highness.

P. R. R.
22-5-21

Draft approved. Fair copy may be sent up to Ooty by special messenger to-morrow only and will be despatched from there. Also a spare copy of the letter for submission to His Highness for information.

M. K.
22-5-21

Submitted with the draft of a letter to Mr. Campbell.

K. M.
23-5-21

This draft was approved by the Dewan and fair copy prepared for his signature yesterday, but before sending it up for signature, Mr. Forbes sent me his note enclosed from which it appears that the draft-requries modification under the two sections relating to Electrical and Krishnarajasagara.

K. M.
23-5-21

I have gone through Mr. Forbes' note since, and shall be glad to speak to the Chief Secretary about the revision of the draft reply to the Resident.

P. R. R.
23-5-21

The paragraphs relating to Electrical Works and Krishnarajasagara Works have been since revised in consultation with Mr. Forbes and the draft as it now stands will be correct in its details.

P. R. R.
23-5-21

Copy sent to Mr. Mirza for submission to His Highness.

M. K.
24-5-21

D. O. No. A. Camp Ooty, dated 24th May 1921, to the Hon'ble the Resident, furishing the information called for in his D. O. dated 12th April 1921.

This may be sent to the Financial Secretary.

K. M.
3-6-21

The long expected loan of the Government of India has just been announced. I put up the Notfication dated the 6th June 1921. The Government of India have issued two loans: one of five years, another of ten years, both carrying the same rate of interest 6%, tax free.

The Government of India loan will be open from the 20th instant to 30th July 1921. Our loan also will have to be announced soon to prevent any part of the loanable capital in the State seeking investment in Government securities being absorbed by the Government of India loan. On the last occasion, we announced our loan for subscription within the State in the first instance while the Government of India loan was on offer and we have informed the Government of India that it is within our competence to issue our loans within the State at any time convenient to us. As the Residency has been addressed in regard to our next loan, I request orders whether it is necessary to wait until we hear in reply from them for announcing the loan within the State. If we may adopt the procedure which we followed on the previous occasion, I shall submit the draft loan notification for approval.

I have informed the Resident that we are going to issue our loan Notification at once.

M. N. K.
6-6-21.

He has telegraphed to Government of India an abstract of our letter to him. We are not bound to wait for any permission. However seeing that there was some trouble last time we may pyerhaps wait for just a few days before we publish the notification. There is nothing to prevent us going ahead with our preparation for the loan. The draft notification may be submitted for approval at once. It has to be submitted to His Highness for approval after consideration in Council.

M. K.
10-6-1921.

I put up a draft notification announcing the loan terms.

As I have already proposed, I consider it necessary to offer two kinds of loans, (1) a short-term loan, and (2) a long-term loan. In making this suggestion, I have two objects in view:—

Our loan should provide the means of investment both for those who desire a security, the capital value of which cannot depreciate for a long period and those who want the certainty of as a high rate of return as they can get, for as long a period as possible.

We have now three previous issues, *viz.*, 4% $5\frac{1}{2}\%$ and $6\frac{1}{4}$ % Bonds. The holders of these bonds belong to the class of investors on whom we should rely largely for response to our present loan. It should therefore be our aim to enlist the active good will of this class of investors and this cannot be done unless conversion rights are allowed to them and such rights can be provided for only by means of a long term loan.

Both the loans of the Government of India which will be on offer from the 20th instant are short-term maturities and I understand that the Government of Bombay who, it was expected, would place another instalment of their fifteen years Development Loan, carrying $6\frac{1}{2}\%$ interest, free of tax, on the market as soon as the Government of India loan list was closed, will not do so this year. There is now no issue by any Government in India for capital seeking investment in a fairly long term loan and we have therefore an opportunity for diverting such capital into our loan. This is another reason in support of my proposal for a long-term one.

In the light of present conditions and of the terms of the Government of India loans, I have very carefully cansidered whether the rates of interest provisionally proposed for our two loans in our correspondence with the Residency, do not require revision and I have come to the conclusion that the rates already suggested are quite necessary for obtaining some fair response to our appeal to the investing public.

I would invite attention in this connection to Mr. D. M, Dalal's opinion conveyed in his letter of the 18th April 1921. He was aware when he wrote this letter that the Government of India loan of this year would carry only 6% interest and in spite of this fact he advised us to offer for our loan interest at $6\frac{1}{2}\%$ free of tax. For the long-term loan I have proposed only this rate.

As regards the currency of this loan, Mr. Dalal recommended a period of thirty and fifty years which, I consider is unduly long for allowing the high rate of $6\frac{1}{2}\%$. I have therefore proposed to reduce the period to twenty and thirty years, reserving option to us to redeem the debt at any time between twenty and thirty years. What the future course of interest is likely to be, it is impossible to foresee but it is reasonable to hope that it will go down sooner or later. It is therefore, desirable to shorten the period of currency of the long-term loan as far as possible, and it is with this object that I have

placed at twenty years the minimum period during which investors are guaranteed the rate of 6½% tax free. Our 6¼% loan is a twenty-year issue and the Development loan of the Government of Bombay has a currency of fifteen years.

The rate of interest for the short term loan should obviously be slightly better than that for the long-term loan and the question is whether it should be 6¾% or 7%. I think it is necessary to allow 7% as the increase over the long-term rate should be sufficient to make the short-term issue a success.

In the notification inviting subscriptions to our last loan, no mention was made that a Sinking Fund would be formed for the discharge of debt. This was considered as an omission in some quarters and doubts were also entertained as to whether Government would make adequate provision for the redemption of the loan. I have, therefore, supplied this omission in the present notification by maki g the definite statement that Sinking Funds will be built up for the repayment of both the loans of this year.

I have proposed that conversion privileges should be offered to the holders of all our previous issues, of course, on different conditions. The 4 per cent loan is repayable on 1st October 1921 and the bonds of this loan should therefore be treated as cash. I have accordingly proposed to accept them at par with no cash subscription in addition. The 5½ per cent conversion loan is a ten and twenty-five year issue and the interest on it is not exempt from income-tax and the bonds of this loan are accordingly at a discount. I have, however, proposed to accept them at par on condition that their holders tender an equivalent amount in cash. The acceptance of these bonds at par may look somewhat too generous. The investors in these bonds bitterly complained on the occasion of our last loan that their holding was not accepted at par as subscription to the 6¼ per cent loan. The 5½ per cent Conversion Loan was issued a few months before the 6¼ per cent loan was floated and there was accordingly some ground for complaint by holders of bonds of the former loan. I have therefore proposed to conciliate these bond holders by the grant of favourable terms for conversion. As it is proposed to demand cent per cent, cash subscription in addition from them, the arrangement is intended to be advantageous both to bond holders and Government.

As regards bonds of the 6¼ per cent loan, I have recommended that they might be accepted at par subject to the condition that their holders tender 50 per cent in cash as additional subscription. The issue price of our last loan was 99 and the rate of interest was really Rs. 6-5-0 per cent. As the issue price of the new 6½ per cent bonds will be par the increased interest which the conversion allows is only Re. 0-3-0 per cent. But against this advantage, we demand 50 per cent additional cash subscription.

For our last loan we accepted the 5½ per cent War Bonds of the Government of India repayable in 1928 or in previous years. For our next loan also we may accept these bonds as subscription. I have also proposed to take the 6 per cent bonds of the last year's issue of the Government of India and also those of this year's loans of the same Government. All these bonds may be accepted at par. They are all short-term maturities whose present market quotations are at or about par. Owing to their ready convertibility these bonds are as good as cash for us. The Bombay Development Loan carries 6½ per cent interest tax free and it is now quoted at a premium. The holders of bonds of this loan are unlikely to tender them for conversion to our Loan and I have not therefore proposed to take them.

We reduced the denomination of bonds as low as Rs. 12½ on the last occasion. The number of bonds to be handled by the treasuries and the Comptroller's Office was therefore very large and imposed heavy work upon them. On this occasion, I have not proposed to issue bonds for Rs. 25 and Rs. 12½ and the lowest denomination will be Rs. 50.

The loan now to be announced will, in the first instance, be open for subscription only by persons within the State but even these persons have to be assured that interest on their investment is exempt from British Indian Income-tax; otherwise the market for sale of their securities will be limited to Mysore and in the event of the original holders themselves drawing interest on their bonds from any British Indian Treasury, such interest would be liable to British Indian Income-tax. We are not now in a position to convey this assurance of exemption from British Indian Income-tax, as the Government of India have limited the exemption already allowed by them only to our

last loan and they have not yet complied with our request for freeing all our loan from their income-tax, as we have already freed all their loans from our income-taxs. This arrangement of reciprocity was agreed to by them at the Income-tax Conference held at Delhi, but while we have made a provision in our Income-tax Regulation itself for giving effect to our part of the understanding, the Government of India have not yet taken action, in spite of our repeated requests, for giving effect to their part of the agreement.

Receipts for disbursement of interest on Government of India loans by our treasu ries are exempt from stamp duty. We have claimed reciprocity in this respect also but the Government of India have not so far given us any answer. In the mean time, interest on our securities, if drawn in British India, is made liable to the British Indian Stamp Duty and this is a disability placed on persons in British India who hold our bonds.

In-formulating the above proposals, I have been influenced by the sole consideration that we should try our very best to make our loan operations successful, as we cannot afford to risk a failure. Our need for money is very great. The amount we require—one crore and a half—is very large, considering the limited capacity of the money market which is open to us and which is likely to lend to us. Mr. Dalal has plainly told us that Bombay will not absorb any of the Mysore Government Loans and that we shall have to appeal to the same clientele as came to our help last year. Any disappointment in response to our loan appeal will completely dislocate our capital programme. We proposed to utilise the Railway Sterling Loan Sinking Fund, as an alternative, in the event of our being unabtle to find the whole amount from the next loan. But this proposal has been turned down by the Government of India. As the second alternative of raising a sterling loan in London depends upon the utilization of the same Sinking Fund, I am doubtful if even this proposal will succeed. I remain, however, unconvinced that the Government of India are right in disallowing our proposal to use the Sinking Fund directly or indirectly; but so long as they remain obdurate, there is no help. As I have already stated, I cannot think of a third alternative and I would, under no circumstances, propose to make the Government of India our creditors. As for the proposal of obtaining a loan from another Indian State, I do not feel assured that it will materialise, as its materialisation again depends upon the intervention and good-will of the Government of India.

The terms of the two loans that I have proposed are, I consider, no more than what the conditions of the money market and the urgency of our need recommend. Placed as we are, we cannot afford to wait until the rate of interest goes down. Should the rate decline in the near future, critics will of course, say that our rates should have been less. If we reduce the rates of interest with the very probable result of an inadequate response to our Loan, even then the critics will blame us for having failed in our loan operations. If the terms proposed prove attractive and we are able to raise the whole amount we require, then the criticism would be that the terms were unduly generous. I do not think we can escape criticism of some kind or other under any circumstances and there is no alternative but to face it.

It is proposed to keep the short-term loan on offer for three months from 1st July 1921 and the long-term loan for a month longer. The extension in the latter case is for the purpose of allowing the conversion rights being availed of by as large a body of bond holders as possible. It is usual to allow a longer period for conversion than for cash subscription. We may, however, allow four months both for conversion as well as for cash subscription, in view of the fact that we are requiring additional subscription in cash from those who tender their old bonds for conversion.

M. N. K.
14-6-21

P. S.—Since writing the above, I have seen a report in the Times of India of the 11th June 1921 that the Norwegian Government is raising in London a loan of four millions sterling carrying 6 per cent interest issued at 88 per cent (with a discount of 5 per cent if the whole amount is paid in one instalment). The currency of the loan is ten and forty years. What value money now commands in London is evident from this issue.

We cannot conclude from the rate of interest allowed for the recently announced loan of the Government of India that the value of money has gone down even in

India. I would invite in this connection reference to the observation on the Government of India new Rupee loan contained in the article on "The Money Market" in the same issue of the Times of India. Mr. D. M. Dalal is, I believe, the writer of the Money Market articles in this paper and from what he says the bulk of the subscriptions to the Government of India loan will be by Banks, the Imperial Bank of India alone subscribing as much as 4 to 5 crores, that is about one-third of the total amount anticipated by the Government of India in their ways and means calculations. The conditions favourable for the Government of India loan are, as stated in the same article, the result of factors created by that Government and I do not think they can be taken as indicating the decline in the value of money due to normal causes.

M. N. K.
14-6-21

The draft notification is approved. Please circulate rapidly to the Members of Council to-day only. The file has to be submitted to His Highness to-morrow so that the notification may issue on Monday next.

M. K.
14-6-21

It is suggested for consideration that the new subscription required for conversion might be limited (1) to 50 per cent in the case of 5½ per cent bonds, and (2) to 33⅓ per cent in the case of 6¼ per cent bonds instead of those proposed in the draft. This is supposed to make the loan more attractive. I shall be glad to have the opinion of the Financial Secretary on this point.

M. K.
16-6-21

I have taken an extract of the above order and shall separately submit my opinion on the point raised in it. In the meantime the file is forwarded to the Chief Secretary for immediate circulation as ordered by the Dewan.

M. N. K.
17-6-21

K. M.
17-6-21

P. R R.
19-6-21

M. H. H.
20-6-21

Returned to Financial Secretary. Circulation completed.

K. M.
20-6-21

Dewan's Order dated 16th June 1921 on the Loan file.

"It is suggested for consideration that the new subscriptions required for conversion might be limited (1) to 50 per cent in the case of 5½ per cent bonds, and (2) to 33⅓ per cent in the case of 6¼ per cent bonds instead of those proposed in the draft. This is proposed to make the loan more attractive. I shall be glad to have the opinion of the Financial Secretary on this point.

I put up Mr. Rose's letter of the 16th April 1921 in which his proposals in regard to conversion rights to holders of our 5½ per cent and 6¼ per cent bonds are contained. He has suggested the exchange of 6¼ per cent bond for 6½ per cent bonds at par on condition of payment of a cash subscription of 35 per cent of face value of the bonds tendered for conversion. As regards the 5½ per cent bonds, he has recommended that they may be accepted at 95—not at par, in exchange for bonds of the New Loan on condition of payment of a cash subscription of 50 per cent of the face value of the bonds tendered for conversion.

Our object should be to get as much 'new money' as possible. We propose to place two loans before the investing public, (1) a 7 per cent loan open only for cash subscription, and (2) a 6½ per cent loan open both for cash subscription and for

exchange of bonds of previous issues. These two issues should between them absorb all the available loanable capital seeking investment in a local gilt (edged) security. From our point of view, it is immaterial whether we get 'new money' as subcription to the one or the other of the two loans. Conditions of conversion should keep two objects in view, (1) to obtain as much new money, as possible, and (2) to keep down the cost of interest as far as possible. If the proportion of cash subscription is unduly low, it may doubtless lead to the conversion of a larger quantity of bonds but it will produce an unduly heavy burden of interest charges proportionately to the 'new money' obtained. With a short-term maturity offering a net return of 7 per cent, I do not think there is any fear of holders of our 5½ per cent and 6¼ per cent bonds not subscribing to either of our loans, on the ground of the conversion rights not being more generous than now proposed. It is in view of all these considerations that I have placed the additional cash subscriptions at the proposed levels. I may add that I have sent confidentially a copy of the draft notification containing the proposed terms to Mr. Rose for expressing his views and if there is time, his opinion may be awaited before deciding what cash subscriptions should be demanded.

M. N. K.
17-6-21

I agree.

M. K.
18-6-21

D. O. No. 390, dated 15th June 1921, to Mr. Rose. Forwards draft notification and calls for his review.

D. O. dated 18th June 1921, from W. C. Rose, offering his opinion on the draft notification.

Mr. Rose's letter just received is put up for perusal.

He is not for the issue of a loan carrying 7 per cent interest and his letter shows that in arriving at this conclusion, he has been very strongly influenced by the effect which he fears, such an issue will have on the market value of our 6¼ per cent bonds. Two points strike me in regard to this apprehension of Mr. Rose.

(1) I am not sure if a 7 per cent issue should have such a drastic and depressing effect on the 6¼ per cent paper, as Mr. Rose fears. As stated by himelf, the 6 per cent loan of the Government of India is being issued at par and the 6½ per cent development loan of the Government of Bombay is at a premium. Judged by these standards and even making allowance for some weakness in the demand for our paper owing to the limited market open for it the market price of neither the 6¼ per cent loan nor the contemplated 6½ per cent loan need touch the low levels mentioned by Mr. Rose.

(2) Mr. Rose looks at this matter entirely from the point of view of the holders of our 6¼ per cent bonds. There is another view which for us, should be of as much, if not even of greater value. I refer to our urgent need for money and from this point of view the governing factor should be what terms in respect of interest are likely to make the loan a complete success.

Mr. Rose is for making our new issue substantially more attractive than our last but he would allow the advantage not in the form of an increased rate of interest but in the shape of a premium of 5 per cent on redemption. He considers that we have to rely largely on the genuine investor who can be expected to appreciate this benefit. There is however one consideration to be borne in mind. A premium on redemption brings no immediate benefit to the bond holder, as it has no effect in raising the capital value except towards the close of the currency of the loan. Whether the investor is well-informed or 'untutored' in these matters, it seems to me that an advantage which can be realised as a matter of absolute certainty is far more likely to operate as a powerful factor in inducing investments than the prospect of a far off gain, when the debt is due for discharge; and such a certain advantage cannot, I think, take any other form than that of an increased rate of interest.

The rate of 7 per cent may look high but as I have explained in the previous notes, it is not higher than what is required by the ruling conditions of the money market in India or than what is necessary to get a fairly full response to our appeal.

I think it is quite necessary that we should carry the Bank of Mysore with us in our loan operations. This Bank is itself a fairly large holder of our 6¼ per cent

bonds, both for its Reserve Funds as also for the cover on which it accommodates its clients. Besides, the active good will and co-operation of the Bank is wanted in placing our contemplated loan on the market. In view of these circumstances, it is quite necessary to further consult the Bank and this is best done by personal consultation. If approved I shall leave for Bangalore to-morrow morning and meet Mr. Rose the same day. If I am wanted back, I shall return to Mysore. Otherwise I shall report from Bangalore the result of my consultation with him.

As we have to meet the Deputy Commissioners to-morrow morning you may leave in the afternoon. M. K.

M. N. K.
20-6-21

M. K.
20-6-21

P. S.—Mr. Rose approves of the conversion proposal in respect of the 5½ per cent bonds.

I have just received a notice regarding the loan meeting to be held to-morrow morning. I do not think my presence is quite necessary, as the Comptroller will be there.

M. N. K.
20-6-21

I met Mr. Rose to-day and discussed with him the question of rate of interest to be allowed for the short-term loan. He said that for assuring some fair measure of success of the loan the rate of 7 per cent was undoubtedly the best. He considered that this rate might attract subscriptions from investors outside the State. The proposal of allowing 7 per cent for the ten year issue may therefore remain undisturbed.

2. The additional cash subscription to be demanded from holders of the 6¼ per cent bonds tendered for conversion into the 6½ per cent loan might, he considered, be lowered from 50 per cent to 33⅓ per cent. The latter is the proportion suggested by the Dewan and I have accordingly revised the draft notification.

3. I think that our 4 per cent bonds, which are as good as cash in view of their being due for discharge in a few months, as well as the short-term bonds of the Government of India, may be accepted at par as the equivalent of cash subscription to the short-term loan as well. In my original proposal, I had recommended the acceptance of these bonds as subscription only to the long-term loan. On second thought, it appears to me that we may take them for both loans. The draft notification has been suitably modified.

4. As decided at the meeting held at Mysore on the 21st instant, special arrangements have to be made for delivery of bonds of and disbursement of interest on the last loan before subscriptios to the new loan can be invited. Besides, bonds of the two new issues have to be got ready for sale from the date of opening of the loans. In view of these considerations, it may not be possible to sell bonds from a date earlier than 1st August 1921 and a period of three months is, I think, sufficient for both the loans to be kept on offer. The draft notification has been revised in this respect also.

5. Mr. Rose considered that the arrangement of attaching bearer interest coupons to bonds was a good one, provided bond holders could be expected to realise the exact nature of the coupons which are really cheques payable to bearer. I told him that the Deputy Commissioners were unanimously of opinion that there was no risk in supplying such coupons as investors even in rural parts could be trusted to take care of the coupons. The draft notification has been amended in this respect also.

6. It was proposed at the meeting of Deputy Commissioners held on the 21st instant at Mysore that brokerage should be allowed at ¼ per cent and not at ⅛ per cent as on the previous occasion. A clause has been added to the draft notification about brokerage.

7. I spoke to Mr. Rose about the terms on which the Mysore Bank would advance money to those who desire to subscribe to the loan. He said that the Bank ought to do its best to offer help in this direction and that we might formally address

him in regard to the various forms of help which it is possible for the Bank to offer to further the loan operations.

8. As regards exemption from British Indian Income-tax of interest on our bonds of these issues, drawn in British India, we have to make this point clear even in the present notification and as the arrangement is one of reciprocity we can announce the exemption and make a report of the fact to the Residency.

9. As circulation has been completed, I put up a D. S. N.

M. N. K.
23-6-21

With reference to the proposed new loan notification sent to me with your D. O. No. 391, and my subsequent discussions with you in regard to the alterations proposed by me, I have sent the notifi cation to-day to the Superintendent, Government Press, for keeping it ready in type.

According to the decisions arrived at, I have effected slight verbal alterations wherever necessary. , I have included also the $12\frac{1}{2}$, and 25 rupee denominations, as available for issue.

As desired by you, the cash to be tendered with the $6\frac{1}{4}$ per cent bonds offered for conversion into the $6\frac{1}{2}$ per cent loan has been changed to 33 $\frac{1}{3}$ of the face value of the bonds tendered for conversion.

The necessary alterations to make it clear to the public that this time, the bonds will be sold over the counter, have to be effected.

think this is clear from notifications as now drafted. I do not know what more is wanted.

I have substituted for the forms attached to the draft notification the enclosed forms, which with the experience gained during the last loan operations are found necessary, and I request they may be approved.

We have to compare with our form and see if these forms anwer all cases of the present two issues.

T. SATYARAJA CHETTY,
Comptroller.
24-6-21.

M. N. K.
25-6-21.

Draft altered.

The Comptroller may prescribe the forms he considers more suited but let us see they are adapted to the revised notification herewith sent.

M. N. K.
25-6-21.

I herewith submit for the gracious approval of His Highness a draft notification announcing the terms of the Loan to be raised. The terms are explained in the Financial Secretary's Notes dated 14th, 17th, 20th and 23rd June 1921.

2. I held a meeting of the Deputy Commissioners on the 21st instant and have given them instructions to make our present loan as successful as the previous one.

3. It is not possible to open the loan for subscriptions earlier than 1st August 1921 for reasons stated in para 4 of the Financial Secretary's Note dated 23rd June 1921. As the Government of India Loan will be closed on the 30th July 1921, our loan can be floated in and outside the State simultaneously from 1st August 1921. But the Government of India may take objection to our notifying now that our loan is open for subscription, to investors outside the State from 1st August 1921, on the ground that such announcement would induce investors to reserve their money for our loan, which would otherwise have been absorbed by the Government of India Loan. Besides, we cannot say anything about outside subscriptions until we get a reply from the Government of India. In the notification now to be issued, it has therefore been proposed that subscriptions will be received from persons in the Mysore State and wa-

may revise the notification on 31st July and say in the revised notification that the loan is open for subscription both in and outside the State.

M. KANTARAJ URS.
25-6-21.

K. R. W.
27-6-21.

Financial Secretary.
May be considered on the 30th instant at the meeting of Council.

M. K.
28-6-21.

Notification regarding the Government loans of 1921.

Note in Council.—May issue with the verbal alterations approved now, in a *Gazette extraordinary* on Monday the 4th July.

K. M.
30-6-21.

D. O. dated 20th June 1919, from W. C. Rose, Esq., offering his views regarding conversion of 6¼ per cent bonds.

I herewith put up Mr. Rose's letter of yesterday suggesting some changes in the terms of the loans to be raised. As reported in my D. O. letter of this morning, I met Mr. Rose on my way to office and had a long discussion with him on the suggestions he has made. He still insists strongly on the need for improving the terms of the long term loan with a view to making the conversion proposals in the case of 6¼ per cent bond holders more acceptable to them. On reading his letter, I had formed the impression that he did not agree to the short term 7 per cent issue at all. He however, assured me that that was not his intention and that his suggestions really related to the long term 6½ per cent issue. In view of what he has stated in his letter, I am afraid we have to agree to make the issue price of the 6½ per cent loan 97½ per cent. This, no doubt, increases the interest charge not only on fresh money subscribed to this loan but also on the amount of the previous issue which may be converted into the new issue.

As regards his suggestion No. 2, I was able to pursuade him that it was not possible to guarantee future conversion rights at par to investors in the 6½ per cent loan. He has proposed that we should accept bonds of our last loan for conversion into the present at the rate of 96½ per cent and this arrangement, as he states will give them a bonus of 3½ per cent on redemption including the one per cent already allowed to them, the issue price of our last loan being 99 per cent.

The proportion of 33⅓ per cent proposed as additional cash subscription is inconvenient as it necessitates calculations in pies and for this reason and also on the ground of the increased yield on an investment in the 6½ per cent loan owing to the reduction in the issue price, I suggested that cash subscription might be raised from 33⅓ to 40 per cent. As the benefit of discount on issue price has to be allowed in respect of the additional cash subscription as well and as a refund of 1½ per cent has also to be allowed, as the old bonds will be accepted as equivalent to cash at 99 per cent the actual cash contribution by a tenderer for conversion will really be 37½ per cent, which is a convenient proportion for purposes of calculation. Mr. Rose agreed to this arrangement. I herewith put up the draft notification embodying the suggestions of Mr. Rose and the consequential changes.

Incidentally, we discussed the question of the amount of the loan for which subscriptions should be invited. Mr. Rose said that it would be better not to specify the amount, as, in the event of the actual subscription falling short of the amount notified, the loan operation would not be considered as successful. Last year I suggested the same arrangement but the Council considered that it was necessary to specify the amount. I am still of the same opinion and I agree with Mr. Rose in thinking that it would be well if we did not specify any amount in the loan notification. There is no fear of our getting more than what we want, as we can accept any amount up to 2 crores, if we can get it. In the draft notification now submitted, I have omitted the reference to the amount of the loan.

As we are allowing the benefit of the issue price of 97½ per cent to tenderers of our 6¼ per cent bonds, the same concession will have to be offered to the tenderers of the Government of India Bonds also. The market value of all these bonds is at about

par and if accepted at par, it will be necessary to allow cash refunds of excesses over issue price. This is an inconvenient arrangement; as we are accepting Government of India Bonds for our 7 per cent loan and as there are not likely to be many holders of these bonds desiring to convert them into our 6½ per cent bonds, I have omitted term No. 10 of Loan No. II.

M. N. K.
1-7-21

I agree.

M. K.
2-7-21

A. D. S. N. is put up as personally instructed.

M. N. K.
2-7-21

Submitted to His Highness.

In his letter dated the 30th June 1921, Mr. Rose suggested certain modifications in the terms of the long-term 6½ per cent loan to be floated and the Financial Secretary personally discussed the matter with him and his Note of the 1st July 1921 reports the result of the discussion. Mr. Rose's suggestion for fixing the issue price of the 6½ per cent loan at 97½ per cent, may be accepted for the reasons stated by him. The draft notification adopting his suggestion with the consequential changes is herewith submitted for gracious approval.

2-7-21. M. KANTARAJ URS,

Notification regarding the loans of 1921.

K. R. W.
4-7-21.

M. K.
5-7-21.

Letter dated 5th July 1921, from W. C, Kose. Esq. offering certain suggestions for consideration.

The Government Advocate considers that the procedure of attaching bearer interest coupons to a security negotiable by endorsement is not free from objection from a legal point of view and that its adoption involves the running of some risk. The idea of having bearer interest coupons has therefore to be abandoned.

The issue of bearer bonds with bearer interest coupons is allowable and if particular subscribers desire to have their bonds in the Bearer form, we can comply with their request. Promissory notes negotiable by endorsement may be sold in the first instance to such subscribers and if they subsequently express a desire to have their holding converted into Bearer form, we may issue Bearer securities free of charge for some time. A para to this effect has accordingly been included in the notification under both the loans.

I herewith put up Mr. Rose's letter of yesterday, in which he makes four suggestions.

Suggestion A, is only an addition to the abstract at the top of the notification and I have adopted it. Suggestion B cannot be accepted as the procedure in regard to the issue of bearer interest coupons has fallen through. Suggestion C relates to the terms of the long term loan. Mr. Rose proposes to accept the 6¼ per cent bonds at par, and his reasons are mentioned in para 3 of his letter dated 5th July 1921. I do not think we can overlook the fact that for our 6¼ per cent bonds we got only 99 per cent and it is not quite fair to demand, for purposes of conversion into a loan issued at a favourable rate, that we should accept the bonds at par, and not at the issue price of 99 per cent. The revised terms of the loan have been approved by His Highness and if a further modification has now to be made at this stage, it will be necessary to obtain the permission of the same authority. In the draft notification now put up, the net cash subscription of 37½ per cent is retained and not changed to 36½ per cent as suggested by Mr. Rose.

Suggestion D.—This is acceptable. Mr. Rose offers to take over for the Bank, War bonds of the Government of India and to invest the proceeds in our loan. This has been included in the notification.

A draft, in print, of the loan notification to be issued as a Gazette Extraordinary is herewith put up for final approval.

M. N. K.
7-7-21.

P. S.—The Second Member's D. O. to me of date is put up. As I have stated above, provision is made in the notification for issue of bearer bonds. Even stock certificates may be given in exchange for promissory notes issued in the first instance. This is also mentioned in the notification. In view of the legal opinion now expressed, no other course appears to be open and the notification in its present form may be issued and modifications, if any, notified later on.

M. N. K.
7-7-21.

Note in Council.—The recommendations of the Financial Secretary on Mr. Rose's proposals are approved. The question of bearer interest coupons will be dealt with by the Second Member on the 8th instant.

K. M.
7-7-21.

To the Financial Secretary with compliments.

I discussed the matter with the Government Advocate. The Under Secretary too was present. Having regard to the form in which the interest coupon is proposed to be issued, I do not think that there can be any legal objection to the course proposed to be adopted. The interest coupon can be regarded as a Government Security and comes under the perview of Section 17 of the Government of India Act, 1920, which we propose to introduce into the State at no distant date. These coupons will also be covered by Section 7 of the present Regulation if the form now proposed for them is adopted. I was under the impression at first that these coupons will be in the form of receipts and so told the Financial Secretary that these issues in connection with a promissory not did not appear to be authorized.

M. H. H
8-7-21.

The Second Member considers that there is no legal objection to the issue of promissory notes transferable by endorsement, with bearer interest-coupons attached to them. It is impossible to make such notes ready by 1st August 1921, in the large quantities in which they will be required, owing to the very complicated arrangements necessary for printing them. The form of this kind of note also requires change and legal opinion has also to be taken on it. These special notes can be issued only later in exchange for the ordinary notes sold in the first intance. Terms Nos. (1) iv and (2) iv have been accordingly revised. The reference to bearer bonds has been omitted as the issue of Pro-notes with bearer interest coupons is considered inadmissible.

If the notification as it now stands is approved it will be issued as a *Gazette Extraordinary* to-day.

M. N. K.
8-7-21.

I agree.

M. K.
8-7-21.

Mr. Ramachandra Mudaliar saw me after the above note was written and told me that the printing of the special form of notes with bearer coupons involved considerable difficulty and required a special kind of water-marked paper which it was not easy to get. He said that there was no guarantee of our being able to get such paper within any definite time and that accordingly it was not advisable to state in the notification that the ordinary Pro-notes might be exchanged for the special notes with bearer coupons.

I reported all this personally to the First Member. He considered it undesirable to make a definite promise of providing for the said exchange of notes before ascertaining when we shall be in a position to make the special form of bonds ready. He stated that it would be well to leave out the reference to the special notes in the present notification and make immediate enquires of some firms in England as to when they would be able to supply us with the kind of paper required and notify later on as to when the notes can be exchanged, on making all the arrangements necessary for getting the special notes with bearer interest coupons ready. In these circumstance the reference to the special notes has to be omitted. It is not possible to provide for the issue of bearer bonds also as the printing of these bonds presents the same difficulties.

The words "Stock Certificate" may remain as there is no difficulty in issuing them in exchange for the ordinary Pro-notes. The First Member has given instructions to the Superintendent, Government Printing, for making enquiries for getting water-lined paper for the special notes and about the design to be adopted for the bonds to be got ready before 1st August 1921.

The notification with the red ink addition omitted is re-submitted for approva

M. N. K.
8-7-21.

Approved.

M. K.
9-7-21.

Please issue at once.

M. N. K.
9-7-21.

Notificaion No. Fl. 90, dated 9th July 1921.

Letter No, 6208, dated 14th July 1921, from the Secretary to the Resident, conveing sanction of the Government of India to the Durbar's Loan.

A draft acknowledging the Residency letter communicating the sanction of the Government of India to our loan and conveying thanks to them for the permission given is put up. Both in regard to Income-tax and Stamp duty the exemption now notified by the Government of India applies only to the 6½% bonds. The exemption should however be general and it is necessary to notify this exemption in the loan prospectus to be issued for circulation outside the State. As the Government of India have approved of the 7% and 6½% loans and as the arrangement in regard to both the Income-tax and the Stamp duty is a matter of mere reciprocity, it has been stated in the draft that the exemptions will be assumed and notified accordingly. As it is not certain that we shall here before the end of this month when the loan prospectus has to be issued for circulation outside the State, it has been stated in the draft that the exemption will be presumed in respect of these two loans.

M. N. K.
16-7-21.

Approved.

M. K.
18 7-21

A D. S. N. for reporting to His Highness the permission given by the Government of India is put up. The draft of a revised notification to be issued on the 31st instant is also placed in the file. I have written to the Comptroller and Mr. Rose for arranging with Banks in British India for sale of our bonds there and I expect that the Banks which did this work for us on the last occasion will undertake it on this occasion as well and the loan notification has been drafted on this assumption.

M. N. K.
16-7-21.

No. F.-216—G. F. 6-21, dated 16th July 1921, to the Manager, Bank of Mysore, Intimates that sanction of Government of India has been received for the acceptance of subscription outside Mysore and requests his advise as to the Banks through which this work has to be arranged, etc.

Submitted to His Highness.

Pending the receipt of permission of the Government of India for accepting subscriptions from investors outside the State, the 7 per cent, and 6½ per cent loans were announced on the 9th instant for subscription within the State in the first instance. The permission of the Government of India has now been communicated in the Residency letter of the 14th instant which is herewith submitted for information.

2. They have authorised us to announce our loan outside the State and accept subscriptions from investors there after 30th instant on which date their loan list will be withdrawn.

3. It will be seen from the telegram of the Government of India that our loan prospectus in which the terms and conditions of the loans are contained has met with their approval.

4. A revised notification has to be issued on the 31st instant as stated in my submission note dated the 25th June 1921 and a draft of it is herewith submitted for the graciousi nformation of His Highness. In the meantime arrangements will be made for advertising our loans in British Indian Newspapers from 1st August 1921 and also for sale of bonds at outside Banks from the same date.

M. KANTARAJ, URS.
18-7-21.

Order.
K. R. W.
19-7-21.

M. K.
20-7-21.

Letter No. Pol. 64, dated 21st July 1921. to the Secretary to the Resident.

Conveys the thanks of the Durbar to the Government of India for having permitted them to accept subscriptions outside the State and states that as their request re *exemption from British India Income-tax and Stamp duty in respect of interest drawn on Mysore Bonds, etc., is still under correspondance they propose to notify in the loan prospeectus that interest on these two loans will be income-tax free.*

Letter No. 6569, dated 25th July 1921, from the Secretary to the Resident, with reference to previous serial, states that it is not advisable to announce exemption before formal sanction.

I herewith put up Major Plowden's D. O. just received in reply to our letter of 21st July 1921. When the Govrnment of India answer will be received is uncertain and if, in the meantime we are not to say in our notification to be published outside the State that the interest on our bonds is free from British income-tax, we shall not probably get any good response to our appeal. Last year also the Government of India caused us much inconvenience by notifying the exemption very late. This year we have been asking for the exemption for several month past and yet there is no reply and we are also told that we should not announce the point of exemption which is so important to investors. This attitude of the Government of India and the Residency is not fair. We cannot even advertise our loan in Newspapers in British India as every subscriber would like to know if his income from investment in our loans is subject to or exempt from Indian income-tax. I would in these circumstances propose that the Resident may be requested to get the exemption at once or if that is not possible immediately, not to object to our notifying the income-tax and Stamp duty exemption. As stated in our last official letter the exemption is a mere matter of reciprocity and any upsetting of reciprocity is inconceivable—

M. N. K.
26-7-21.

F. S.—Until the above question is settled no action can be taken to announce our loans in British India or to accept subscriptions from investors there.

M. N. K.
26-7-21.

I think it is desirable to await their reply.

M. K.
28-7-21.

No. 6749, dated 29th July 1921. from the Residency, states that exemption from Income-tax and Stamp duty interest on the bonds is sanctioned.

The reply of the Government of India is received. Both the exemptions are permitted in respect of this year's loans.

B. S.
29-7-21.

Submitted for information—

The only matter yet to be settled is the appointment of Banks in British India for doing our loan work. The linked file deals with this subject.

M. N. K.
30-7-21.

M. K.
1-8-21.

Submitted to His Highness.

I submit herewith for His Highness' gracious perusal a copy of Residency letter No. 6749, dated the 29th instant, intimating that the Government of India has been pleased to exempt from liability to income-tax interest paid to or received by persons in British India and from the payment of Stamp duty receipts granted for payment of interest in British India in respect of the State Loans 1921.

M. KANTARAJ URS.
30-7-21.

Order.

K. R. W.
2-8-21.

M. K.
3-8-21.

Notification No. Fl. 585, dated 1st August 1921, to the Compiler, Mysore Gazette.

Issues revised notification throwing the loan open to outside subscribers.

The 7 per cent and 6½ per cent State Loans of 1921.

FILE No. 6 of 1921.

D. O. No. 583—G. F. 6-21, dated 2nd April 1921, from the Dewan, to the Hon'ble the Resident.

Some of the large productive public works undertaken by the Durbar are still in progress and it is necessary to float another public loan for financing them. The amount required is about one crore of rupees. The loan will be announced at a suitable time for subscription within the State in the first instance, and according to the arrangement adopted in regard to the last loan, it will be thrown open; if the Government of India have no objection, to investors outside the State after the next loan of that Government is closed.

Serial No. 1.

D. O. No. 584—G. F. 6-21, dated 2nd April 1921, from the Dewan to Dadiba Merwanjee Dalal Esq.

Some time ago I requested you to kindly advise the Mysore Government as regards the best way of bringing out their funds from London and you very kindly complied with my request. I am sorry I have to trouble you for advice again.

Serial No. 2.

You know that the Mysore Government floated a public loan for a crore of rupees in July last which was oversubcribed. Some of the large productive public works for which funds are wanted are still in progress and another loan is necessary for financing them to completion. I shall be much obliged if you can kindly favour me with your opinion as to the terms of issue that are likely to appeal to investors. The amount that the Mysore Government would require is about a crore and they are prepared to guarantee the service of the loan from their annual revenues. The recent reduction in the rate of the Imperial Bank of India and certain statements made by the Finance Member of the Government of Madras in the course of his budget speech this month point to the probability of an early loan campaign by the Government of India. It is not known what terms that Government are likely to offer this year and whether the issue will be one for a long or for a short period. I understand that on the London market, at any rate, long-dated redeemable securities of a high class character are growing in favour and that fashion for short maturities is disappearing (*vide* City Notes in the London Times dated 9th February 1921.) It is not known if there is any corresponding change in the attitude of investors in India. As regards the rate of interest, our last loan was allowed at 6¼ per cent and the issue price was 99. The rate allowed by us was slightly higher than that allowed by the Government of India and slightly less than that given by the Government of Bombay. I believe that the Government of Bombay is not going in for an independent floatation this year and this circumstance may perhaps give the Mysore Government a larger chance in the Bombay market than it had on the last occasion. It is proposed to float the loan for subscription in the State in the first instance and then to throw it open to investors in British India after the next loan of the Government of India is closed. If you want any further particulars, I shall be glad to furnish them.

In the circumstances stated, I shall be much obliged for your advice as to what should be the currency of the loan, what its rate of interest, what its issue price and what the suitable time for its announcement, with a view to make the loan a success, generally, and in the Bombay market in particular. If you consider that personal consultation is better, I shall arrange for it accordingly. The Mysore Government will be very glad to pay you fees for this and other advice which they may require in connection with their proposed loan.

D. O. No 308—G. F. 6-21, dated 4th April 1921, from the Financial Secretary to the Manager, Mysore Bank.

You know that some of the large productive public works undertaken by us are still in progress and the only means of finding money for financing them to completion is a public loan. It is therefore necessary to arrange for the floatation of another loan and I am instructed by the Government to consult you on the following points.—

Serial No. 3.

1. What time do you think is suitable for the floatation?
2. What is the currency of the loan that is likely to appeal to the investing public?
3. What rate of interest do you think is necessary to be allowed?
4. Would you recommend the issue price to be fixed at par or at any rate of discount?

5. Do you think that any attraction in the form of a premium on redemption is necessary ?

6. Would it be desirable to place on the market more than one form of issue to offer inducements to the different classes of investors ?

2. I understand that in the London market long-term redeemable loans are gradually gaining in favour and that short maturities are not latterly so much in request as they were before. I am not sure if the same tendency is to be seen in India also.

3. It is not known when the Government of India will anounce their next loan. As you know the rate of the Imperial Bank of India has lately been reduced from 7 to 6 per cent. I send herewith a copy of the Madras Mail in which some statements made by the Finance Member of the Government of Madras in presenting that budget of the Government to the Legislative Council are reported. It will be seen that these statements point to the probability of an early loan floatation by the Government of India. Our own loan will have to be placed on the market at about the same time the Government of India loan list is opened, or earlier.

4. I have mentioned only a few points relating to the floatation and I shall be much obliged for whatever advice you can give to make our next loan a success.

5. I may state that we require about one crore of rupees.

D. O. No. 398—G. F. 6-21, dated 7th April. 1921 from the Residency, to the Dewan.

Serial No. 4.

I am desired to aknowledge the recipt of your demi official letter No. 583, dated the 2nd April 1921, regarding the proposed floatation of another public loan for financing some of the large productive public works.

It is very important to the Resident to have as accurate details as possible in regard to the date on which it is proposed to float the loan for subscription both within the State and outside the State and I shall be obliged if you will kindly favour me with information on both these points as soon as possible.

D. O. No. 595—G. F. 6-21, dated 7th April 1921, from the Dewan, to the First Assistant Resident.

Serial No. 5.

I have just recived your D. O. No. 3398, dated the 7th April 1921.

The exact date on which the loan should be floated this time has not yet been settled. The Durbar have sought advice on this point from persons in touch with the money market. As soon as the date is settled, I shall communicate it. As I have already stated in my previous letter, the loan will not be thrown open to investors outside the State until the next loan of the Government of India is closed and it will be open for subscription only within the State in the first instance. I would, in these circumstances, request that the permission of the Government of India applied for in my previous letter may kindly be obtained early.

G. F.—6-21, dated 12th April 1921 from, the officiating Resident, to the Dewan of Mysore.

Serial No. 6.

Your letter of the 7th of April to my Assistant, Major Plowden, has just reached me. I daresay you may be aware that, about the end of July 1920, the Government of India were not altogehter happy about the Mysore loan of last year. Letters on our record show that it is quite impossible for us to go up to them officially asking in your own words their permission without much more definite information than we have at present. A copy of your D. O. No. 583, dated the 2nd of April has gone on to them for information but this, of course, will not of itself suffice. It is imperative that we should be able to inform them of the date of floatation and not only to avoid competition between the State and the Government of India as borrowers but also between the State and other large borrowers. This is, if I may say so, in the borrowers' own interests whoever they may be. So I am afraid I must have the dates before I can go up to them.

On the purely financial aspect of the case, before the Government of India can offer comment, criticism, advice or grant permission, they would like some assurances of the ability of the Mysore Revenues to bear the interest and presumabally the sinking fund charges of this loan and the previous one. Again, the Government of India will certainly want to know, however confidentially, the terms of the proposed loan and some details about the "large productive public works undertaken by the Durbar," for the fiinancing of which the loan is to be raised. A list with a "Remarks" column filled in by experts

as to productive prospects with any available reasons for the opinions offered would be of the gratest service.

Permit me to sum up in tabular form the information we require.

1. Dates of floatation.
   (*a*) in State (*b*) in British India.
2. Ability of Mysore Revenues to bear.
   (*a*) interest (*b*) sinking fund charges of this and previous loan.
3. Terms on which it is proposed to offer this loan.
4. List of public works to be financed with expert opinion as to productiveness and grounds on which opinion is held.

In conclusion, my dear Dewan, you must forgive me if this letter wants to know too much. My only excuse, with which I am sure you will sympathise, is that it is I who have to bear the blows if I send up a case to the Government of India in an incomplete or chaotic form.

Letter No. G. F. 6-21, dated 16th April 1921, from the Manager, Bank of Mysore, to the Financial Secretary.

Serial No. 7.

I have to acknowledge the receipt of your confidential D. O. letter No. 308 of 2—4th April, in the matter of the floatation of another loan by the Government to cover expenditure on large productive works still in progress.

The advent of the Governmet as a borrower as soon after last year's floatation cannot but have a depressing effect on the 6¼ per cent loan of 1920-40, and other Government guaranteed issues. It must, also, be remembered that a good portion of the last loan is still in course of adjustment by the 2.800 subscribers financed by the Bank, as well as those helped by the Government, under their respective instalment systems. In the case of the Bank the amount still payable is 16 lakhs, and there are several sellers of the 6¼ per cent security at a discount without finding buyers. Another similar issue by the Government under these circumstances is doomed to failure in the State, and an enhanced rate of interest for the new loan will obviously still further *nolens volens* increase the discount at which holders are at present prepared to sell their holdings. From all accounts there is some dissatisfaction in the State at the manner in which the late loan was canvassed and its management.

A large number of holders are still without their bonds and consequently unable to borrow or sell. As practically the whole of the 136 lakhs of the late loan was subscribed for by the people of the State, it is an unfortunate factor to have a body of dissatisfied investors to contend with when their goodwill is so vital to the success of the new issue. How to win over the large body of investors I shall deal with later on, but will now only discribe the present financial situation in India as it appears to me.

There is no need for me to dwell largely on the present world-wide depression of trade, the immense lock up of the resources of the Bank in British India, specially those of the exchange Banks, the anxiety felt as regards the monsoon, and the general political unrest and low economic conditions of the whole of Europe and Asia. The cash position of the Imperial Bank of India is none too high for the huge public and Government obligations it now shoulders, and whatever the margin of its surplus resources may be it will be earmarked to meet the liabilities of the Government of India in the shape of their outstanding treasury bills and maturing loans. The tremendous congestion of unpaid goods in the godowns of Banks and merchants, and the future of exchange are the principal causes of the uncertainty of the future monetary and trade outlook, with the resulting disinclination of Banks to lend money except on the most liquid of securities, and for short periods, and unless some decided improvement takes place in this direction I fear India will sooner or later have to face a financial crisis of great magnitude, and one only to be aggravated by a total or partial failure of the monsoon rains.

The stock and share markets are faced with more sellers of securities than buyers, the natural result being a heavy depreciation in values. Also a large body of speculators now find it difficult to meet the calls payable on most of the shares of recently floated companies. The only redeeming feature has been good buying of Government of India securities. The 5½ per cent bonds of 1928 have risen from 96 in October last to close upon par, and the 5 per cent and 6 per cent taxed and non-taxed Government Loans have,

since the new year appreciated some points. A similar result is being experienced on the London stock exchange, and the good buying is accounted for by the probability of money in Lodon becoming cheaper in the near future coupled with the good returns which the heavily depreciated long dated securities now yield on redemption. It is this present favourable situation in *British India*, as apart from Mysore, which could be made the most of by the issue in June or July of an attractive loan by the Government provided some form of negotiability can temporarily be arranged till the securities of the Government of His Highness the Maharaja, under the Imperial Bank of India Act, are made negotiable in India. Under such conditions as I have endeavoured to describe, the issue of a loan in June or July, when the future of trade and monsoon prospects will be more clearly discernible, would I think be a suitable time.

I have already referred to the unfortunate position of holders of the 6¼ per cent loan, 1920-40, while that of those still under obligation to the Bank for about 16 lakhs, and others in respect of ordinary loans on the deposit of the same security, are obviously worse. There is also the Bank's own investment of 10 lakhs. Thus about 30 lakhs of the Banks resources are invested in one form of Government security, and unfortunately of a non-negotiable character in British India and with practically no demand in the State. About a further 70 to 100 lakhs of monies of private subscribers must be in the Same condition, but perhaps in stronger hands. It might also be mentioned that subscribers in the State to the recent issue of the Sri Krishnarajendra Mills, are still liable for uncalled capital to the extent of about 28 lakhs within the next twelve months or so. By some means it is desirable that practical measures should be instituted by the Government itself to create within the State a free market for its own bonds, as otherwise it is very obvious that unless there is an active market within the State for Mysore Government securities the Government will always be compelled to appeal to outside investors for their financial requirements. To deal with the situation as it exists to-day, and described by me, it is clear that the chances of Government obtaining their requirements within the State even at 6½ per cent tax free, or 7 per cent less tax, is somewhat doubtful without the conferring of conversion rights, at par, to holders of the 6¼ per cent loan on such terms as will at least secure to Government new monies to the extent of 35 per cent of the face value of the bonds tendered for conversion. I would not like Government to think slightly of the dissatisfaction which now exists, and which you must expect to increase from holders of the 6¼ per cent loan if they are also to face a more serious depreciation in their holdings by the issue of a new loan bearing a higher rate of interest. It is obviously a wise policy to have investors of Government securities as your permanent supporters and underwriters.

The new issue might partake of the nature of a thirty year loan with interest at 7 per cent taxed or 6½ per cent tax free, repayble in 1951 at par, and liable to annual drawings, say after the 5th year, with the right to Government to redeem the whole or part of the loan on six months notice after fifteen or twenty years currency at a premium of 5 and 3 per cent respectively, and to purchase the bonds at any time in lieu, or reduction, of drawings at or below par. A discount of 1 per cent may be allowed to subscribers paying the full amount of their subscription at the time of applications. An assurance also to be given that investors in the new loan will not suffer by the issue of any future loans by the Government at a higher rate of interest. I would allow conversion rights, at par, to holders of the 4 per cent loan due next October, plus a bonus of 1 per cent , and also conversion rights at par, to holders of the Government of India 5½ per cent war loans of the years 1921, 1922, 1923, 1925 and 1928 and the 6 per cent tax free loan of 1920-45, and the Mysore Government 5½ per cent loan, at 95 per cent if an additional 50 per cent of the amount tendered for conversion by the holders of the last named loan is subscribed for in the new loan. The grant of such conversion rights, in the case of the Government of India securities, is more or less nominal as these securities are themselves convertible into cash at par or at a small discount. I see no objection to the issue of a special short term loan of ten years, limited to a fixed amount, if Government can clearly see their way to redeem such an issue at maturity. Such a loan would specially find investors in British India if issued at 6¼ per cent, tax free both India and Mysore, and be repaid at a premium of say Rs. 2-8-0 per cent. No interest lower than the Bombay Development loan, *viz.*, 6½ per cent, is likely to be acceptable in British India, and it is rumoured that a fresh issue on behalf of the Bombay Development Board is contemplated this year at 7 per cent. I would suggest similar conversion rights as in the case of the proposed 7 per cent loan. I would also like to suggest Government entering into a private arrangement,

as detailed in the enclosure attached hereto, with some of the Banks in India to ensure negotiability in India of the ten year loan to their own *bona fide* constituents. There is another proposal I would like to make with a view to Government having its own demand liabilities, such as the Savings Banks deposits, extended for a certain period, and thus give some financial ease immediately. The relief might be on the lines of the Government of India cash certificates with six per cent interest per annum payble yearly issued for three years certain, and 6½ per cent for certificates five years currency. The extent of the issue to be governed by the maximum balance at a credit of a depositor at the time of issue of the loan or on 30th June next, and available to Savings Bank depositors only. The certificates to be transferable and negotiable within the State, and to be accepted in payment of all Government dues at maturity, or at any time prior to maturity on forfeiture of all accrued interest.

Another important matter left for consideration is the question of Government borrowing in London. With Government possessing some ten (one and half) lakhs of pounds of sandalwood oil in London it would be a legitimate form of borrowing if Government issued their six or twelve months sterling bills in the London market through the agency of Messrs. Coutts & Co., as acceptors, or one of the large Joint Stock Banks, hypothecating to the acceptors the sandal oil as specific security. The sale proceeds of the oil to be handed over to the accepting bankers for the purpose of repayment of the bills at maturity, or for their cancellation if in the hands of the acceptors. The Government to have the option of repaying the bills at the end of six or twelve months from other sources if sales of sandalwood oil are not forthcoming with the right of renewal for a further period of six or twelve months. Such an arrangement as I here suggest should be practicable, and I shall be pleased to give Mr. Banerji a letter of introduction to one of the Managers of the London Joint City and Midland Bank to be made use of in the event of Messrs. Coutts & Co., not being disposed to entertain the business. If the idea is favourably received it would be necessary for Mr. Banerji to have the full authority of Government to negotiate the business, pledge the oil, and execute the necessary bills on behalf of the Government to the maximum extent possible. I see no reason why 1,50,000 should not be forthcoming under this scheme. Allowing ½ per cent for acceptance commission the cost to Government would at present be about 8 per cent but lower if the anticipated reduction in the Bank of England rate be realised.

In conclusion, may I be permitted to remark that the success of the new loan will in a great measure depend on the proposals contained in the next budget to balance ordinary revenue and expenditure, and also that the matter of retrenchment reveals substantial and real savings, and that adequate proposals are made for the yearly redemption of debt. I cannot help thinking that it would considerably relieve the anxiety of Government if such trade undertakings as the Benkipur Iron Works and the Sandal Oil Factory were converted into public companies with the Government reserving a portion of the capital, and receiving a fixed royalty on the output of each concern. It appears to me that the sales of sandal oil in London would be revived, if buyers knew that Government were not accumulating stocks at this end also and had decided to close down for some time.

PROPOSED AGREEMENT WITH BANKS IN BRITISH INDIA.

1. The Banks to receive applications from the public and issue the customary receipts from time to time on payment of a commission of 1/4 per cent of the amount allotted.

2. The Banks to grant advances, if required by their *bona fide* constituents, to the extent of 80 per cent of the face value of the bonds at their current rate of interest for loans on the security of Government Paper.

3. In the event of the Bank failing to realise the amount of its advance from the borrower, or by the sale of the security in the open market, the Mysore Government to undertake to repurchase all such securities twelve months after receipt of notice at the rate of 90 per cent of the face value.

Proposed Banks.

1. The Bank of India.
2. The Central Bank of India.
3. The Eastern Bank, Limited.
4. The Tata Industrial Bank, Limited.
5. The Alliance Bank of Simla, Limited.

6. The Indian Bank, Limited.
7. The P. & O. Banking Corporation and Allahabad Bank, Limited.

Letter dated 18th April 1921, from Mr. Dadiba Merwanjee Dalal, C. I. E., Bombay, to the Dewan of Mysore, Bangalore.

Serial No. 8.

I beg to acknowledge the receipt of your letter dated, Bangalore the 2nd instant, and much regret the delay in replying owing to indisposition and owing to pressure of work. I was also waiting to see the result of last week's visit of the Hon'ble Finance Member to this city.

It is a matter of congratulation that the Mysore Government has been successful in floating a public loan of one crore of rupees in July last and that it was oversubscribed. Besides the Government of India and the Government of Bombay no other Government in India has been able to secure such a large subscription.

As you are aware, the Government of Bombay last year successfully floated Rs. 9,37,00,000 of 6½ per cent Development Loan having a currency of fifteen years. The Bombay Port Trust, the Bombay Improvement Trust, and the Bombay Municipality have great extension programmes, and it is believed that those Corporations will require between five to seven crores this year and that the Government of Bombay will have to issue another instalment of their loan. While there is no definite news on the subject it is believed that it will have to be a 6½ per cent loan free of income-tax as in the previous year, and probably it will have a currency of fifteen years.

The Government of India have budgetted for a loan of Rs. 15,00,00,000 and they have to pay off on 15th September 1921, Rs. 15,41,52,000 of the 5½ per cent War Bonds maturing in 1921. The Railway Committee was inquiring whether thirty crores cannot be raised year after year for the extension of the Indian Railway System. It is here believed that the Government of India will require fifteen crores to pay off its maturing bonds, and if larger amount could be raised it can be employed for railway and irrigation purposes. The Government of India Treasury Bills have grown to Rs. 1,10,60,95,000, and the Government is also desirous of funding its floating debt. The general expectation in this market is that the Government of India will come out with a loan about July and it will not be at a rate higher than six per cent clear of income-tax. For certain statements connected at the time of issue of the 5 per cent Income-tax Free Loan the Government of India cannot come on the market with a bond of longer than ten-year currency. It is believed that the Government of India will come out with a loan very much on the lines of last year.

I must candidly tell you that I do not see any prospect of the Bombay market absorbing any of the Mysore Government loan, and you will have to appeal to the same clientele which came to the help of your Government last year. My suggestion is that it should be a 6½ per cent loan having a currency of thirty to fifty years.

No doubt, India will expand very rapidly and it will be possible for the Indian State as well as the Government of India and the Provincial Government to float large loans in future. There will be certain obstacles for the first two or three years, but thereafter broad and expanding markets in Government securities are likely.

D. O. No. 46—G. F. 6-21, dated 23rd April 1921, from the Dewan, to D. M. Dalal, Esq., C. I. E., Bombay.

Serial No. 9.

I have received your letter of the 18th instant and hasten to thank you for the readiness and kindness with which you have complied with my request. It is so very good of you to have given me the benefit of your advice.

D. O. No. 47—G.F. 6-21, dated 23rd April 1921, from the Dewan, to the Huzur Secretary to His Highness.

Serial No. 10.

I herewith send a copy of Mr. D. M. Dalal's reply to our request for advice in regard to the terms to be allowed for our next loan. It is disappointing that he should consider that the Bombay market is unlikely to help us. Proposals in regard to the conditions of the next loan will be submitted in due course. A copy of Mr. Rose's letter also accompanies.

D. O. No. Camp A, dated 25th May 1921, from the Dewan to the Resident.

Serial No. 12.

I received your D. O. letter of 12th April some time back, but deferred replying to it until we had settled our general budget programme for the next year.

2. In thisconnection, I would invite reference to Mr. Banerji's D. O. letter dated 13th August 1920 to Mr. Barton. As stated in that letter, it is within the competence of

the Durbar to float the loan within the State, and the permission asked for, as stated in my D. O. dated 2nd April 1921, is only for throwing it open to investors outside the State. The Durbar do not feel assured that the local money market is capable of absorbing the whole amount required, *viz.*, about one crore of rupees. It is only about nine months since the last loan was closed and considering the comparatively limited resources of the State and the prevailing trade depression, it is not possible to anticipate that the whole amount required can be raised within the State itself. In such circumstances, it is necessary to throw open the loan to outside investors and this can be done only after the next loan of the Government of India is closed. As the Durbar's loan, once announced, has to be kept continuously open within the State in the first instance, and also outside the State after the Government of India loan is withdrawn, the date of announcement of the loan and the period during which it should be open, cannot be settled without reference to the period during which the next Government of India loan will be on offer.

3. Provision has been made in the budget for next year for Interest and Sinking Fund charges for the previous loan and for that proposed to be raised.

4. The Durbar contemplate the issue of two kinds of loans, a short-term one and a long-term one. The terms of the former are proposed to be fixed as under :—

Rate of interest : 7 per cent free of income-tax. Period of currency : ten years. Issue price : Par.

The terms of the latter are proposed to be as follows :—

Rate of interest: 6½ per cent income-tax free. Period of currency: 20-30 years. Issue price: Par.

These terms may be treated as provisional as they have not been finally settled yet.

5. The following is a list of the productive works and the amounts required for them in the next year:—

1. Railways	30	lakhs.
2. Electrical Works ...	23	„
3. Krishnarajasagara Works ..	10	„
4. Iron Works	45	„
	108	lakhs.

1. *Railways*—The expenditure on Railways is almost entirely on open lines. All expenditure on construction, in connection with the new lines sanctioned by the Government of India, has, in view of financial stringency, been stopped. The capital expenditure, now to be undertaken, is on absolutely necessary renewals and improvements, which had to be deferred during the period of the war, and which cannot further be postponed without detriment to public convenience and safety, deterioration of the lines and loss of revenue. The need for these improvements has been urged more than once by the Senior Government Inspector for Railways (Madras) and when the improvements are completed, the Durbar expect a substantial addition to the revenue.

2. *Electrical Works.*—The Electrical Works referred to relate to the sixth Installation in connection with the Cauvery Power Works at Sivasamudram. This has been undertaken to meet the large demand from the Mining Companies of the Kolar Gold Fields, and the growing industrial concerns in Bangalore and Mysore cities whose calls for extra power to the extent of 12,000 Horse Power the Durbar have to meet under existing agreements. The productive character of the Durbar's Electrical Works is sufficiently well-known and needs no reiteration. The estimates for the sixth Installation, prepared by the Durbar's Chief Electrical Engineer, Mr. Forbes, were submitted to the scrutiny of the well-known London Expert, Mr. Alfred Dickenson, and approved of by him, before they were sanctioned and adopted. The total amount of the estimate is Rs. 43 lakhs. The outlay expected to be incurred up to the end of the current financial year is twelve lakhs, the amount required during 1921-22 being twenty-three lakhs.

3. *Krishnarajasagara Works.*—The position in regard to this undertaking is as follows :—

The first stage of the Dam has been nearly completed, and the safety of the work, as well as the arrangements with the Government of Madras (which the Durbar expect will be finanlly settled very soon,) require that it should be expeditiously completed up to the height of 124 feet. The whole project was conceived with the double object of ensuring and improving the supply of electric power and of extending irrigation.

The power generated at Sivasamudram with the first three Installations, which were in existence when the Dam work was commenced, was 13,000 horse-power. With the completion of the first stage of the Dam, the power generated will be increased from 13,000 horse-power to 32,000 horse-power (on the completion of the sixth Installation). The whole cost of the first stage of the Dam is meant to be taken as debitable to the Cauvery Power Works, the total cost of which, up to and including the sixth Installation, will thus amount to 309 lakhs as shown below :—

Electrical Works	205 lakhs
First stage of the Dam	104 ,,
	309 ,,

The revenue from the 32,000 horse-power generated is estimated at 32 lakhs.

The Dam, as already remarked, has to be brought up to the final stage without delay. The total estimate for the Dam Works is Rs. 191 lakhs, inclusive of the 104 lakhs referred to above. The outlay expected to be incurred up to the end of this official year is 158 lakhs. The balance to be incurred will, therefore, be 33 lakhs and this expenditure cannot in the opinion of the Durbar's experts be avoided or postponed. When the Dam is completed, it is intended to generate 4,000 horse-power at the Dam site, at a cost of about 17 lakhs, and this is expected to bring in a return of 3 lakhs. At the same time, the storage in the reservoir will enable us to develop irrigation to the extent of about 70,000 acres. The necessary canals are estimated to cost 150 lakhs: but as the estimated return is only 5 lakhs, it is intended to take up the development of irrigation only later as funds permit.

4. *Iron Works.*—The Iron Works at Bhadravati (Benkipur) have been undertaken on the expert advice of Mr. C. P. Perin of the well-known firm of Messrs. Perin & Marshall of New York, who are Consulting Engineers to the Tata Iron and Steel Company. A copy of Mr. Perin's report was forwarded to the Residency with the Durbar's letter No. 180, dated 20th August 1917, and in that letter, the Durbar have shown that "making allowances for all unfavourable circumstances, a return of 10 per cent may be expected on the capital, without taking into account the present increase in the price of charcoal iron." The estimates of capital outlay and of working costs and returns are at present under revision by Mr. Marshall of the above firm and the Durbar have every reason to believe that the return on the capital outlay will be about 10 per cent.

6. I hope I have furnished all the information you wanted and I shall be much obliged if you will kindly obtain the permission of the Government of India to our accepting subscriptions from investors outside the State from the day after that on which the next loan of the Government of India ceases to be on offer.

D. O. dated 25th May 1921, from the Dewan, to the Huzur Secretary to His Highness.

Serial No. 13. With reference to Mr. Campbell's letter dated the 19th instant in regard to the draft reply to the Residency on the subject of the proposed loan I have had the draft revised and now enclose for favour of submission to His Highness a copy of the letter as finally issued.

D. O. No. C. 1027—380, dated 31st May 1921, from the Secretary to the Resident, to the Dewan.

Serial No. 14. I am desired to acknowledge the receipt of your demi-official letter Camp. No. A. dated, Ootacamund, the 24th May 1921, in connection with the loan which the Mysore Durbar propose to float.

2. I am to thank you for the careful and elaborate presentation of the Durbar's proposals. Colonel Knox, who as you know is on tour in Coorg, has not yet been able to refer to the various papers connected with the matter and he thinks that it will save time and possible postal mishaps if he takes up the case immediately on his return to Bangalore, and he hopes that he will be in a position to make his report to the Government of India in the matter without further troubling you.

D. O. No. 390, dated 15th June 1921, from the Financial Secretary, to the Manager, Bank of Mysore.

Serial No. 15. I send herewith a copy of the draft Notification for announcing the terms and conditions of our next Loan. I shall feel much obliged for your views on the proposals madein it. For the short-term loan, it seems to me best to allow the full return on the invest ment in a straightforward way in the form of

an increased rate of interest instead of indirectly in the form of a discount on issue price or a premium on redemption. No other arrangement is likely to appeal to the untutored investing public. I have accordingly proposed a 7 per cent loan issued at par and to be repaid at par. I hope that the terms of conversion offered for our previous issues are as favourable as they can be made and that the offer will enlist the active good-will of the holders of our 5½ per cent and 6¼ per cent bonds. I believe those who hold our 5½ per cent bonds cannot, after this offer complain that we are hard upon them. I must add that the proposals in regard to conversion are only mine at this stage, as they have not yet been approved by Government. I shall thank you for advice on all points that strike you as likely to make for the complete success of our Loan campaign. May I request you to favour me with an answer in the course of two or three days. I am sorry to press for such an early reply and I should not have done so, were not the matter urgent.

D. O. dated 18th June 1921, from the Manager, Bank of Mysore, to the Financial Secretary.

Serial No. 16.

Thanks for sending me for perusal the draft Notification for announcing the terms and conditions of the next Government Loan.

The issue of a 7 per cent loan will have a disastrous effect on the market value of the present 6¼ per cent loan, for on a similar basis of return the latter's price will fall to about Rs. 90. Further, you are not likely to receive any *new money* from holders of the 6¼ per cent desirous to convert into the 6½ per cent long-dated loan, for obviously an investment in the 7 per cent loan is more attractive. Also, the market price of the 6½ per cent loan will be estimated at about 93 with a 7 per cent loan issued at par, *i.e.*, the probability of an immediate discount of 7 per cent on all *new money* invested in the 6½ per cent long-dated loan. On the other hand, a 6½ per cent rate for both issues will have a steadying effect on the market prices of both loans, and the premium of 5 per cent payable on redemption of the short-dated loan will not only check depreciation, but also give a tendency for the loan to appreciate as the period of maturity approaches.

With the Government of India offering 6 per cent only for its five or ten years loans, I consider a 6½ rate sufficiently attractive. The Bombay Development Loan bearing the same rate of interest, is now quoted at a premium of 3 per cent.

There is no use appealing to the untutored investing public at the cost of the genuine investor, the former's savings is not likely to be secured after his recent experiences of compulsory subscriptions to war loans, etc., but it is the support of the latter class that Government must aim to win.

I am glad to see that detachable receipt forms for drawing half-yearly interest are to be attached to the bonds, and if you can make some similar arrangement, on the bonds themselves, for recording the enfacement of interest, from time to time, it would save renewals.

Your conversion terms are quite satisfactory, but for reasons already stated I do not think the scheme will succeed, so far as the 6¼ per cent holders are concerned.

If you are still in favour of the higher rate of interest it would be preferable to have one loan only, and allow conversion rights to the 6¼ per cent holders at 99 provided 50 per cent of new money is subscribed. Your success then is assured.

I will consider what arrangements we can make for your loan campaign, but try to do without an amildari campaign this time.

D. O. dated 30th June 1921, from the Manager, Bank of Mysore, to the Financial Secretary.

Serial No. 17.

With reference to our conversation of the 22nd instant and in continuation of my letter of the 18th June, I venture to submit the following suggestions with a view to induce the public and holders of the 6¼ per cent loan to subscribe towards the proposed new 6½ per cent Loan.

(i) The issue price to be 97½ per cent, thus giving an immediate return of 6⅔ per cent and a bonus of 2½ per cent at maturity to new subscribers.

(ii) To publicly announce that the holders of the 6½ per cent Loan will be entitled to conversion rights at par in any future loan issued by the Government at a higher rate of interest.

(iii) The present holders of the 6¼ per cent Loan will secure a bonus of 3½ per cent at maturity provided they subscribe new money to the extent of 3½ per cent of their present holding with a return of 6¾ per cent on their investment.

I think that if the foregoing proposals are carried into effect, the holders of the 6¼ per cent Loan will feel that their interests have received every consideration from Government, and tend to check the present tendency to part with their paper at ruinous rates. I, again, repeat that it is most desirable for Government to win the co-operation of the holders of their late issue as on their support, greatly depends the successful floatation of the Government Loan.

D. O. dated 5th July 1921, from Mr. Rose, to the Financial Secretary to Government.

I am in receipt of your D. O. No. 1, dated 2nd—4th July 1921.

Serial No. 17 a.

I submit a few suggestions and amendments for your consideration. The final para in Term IX (*c*) of the 6½ per cent Loan requires some consideration before its meaning can be readily appreciated. I have accordingly ventured to bring out the conversion rights more plainly by amending your para. Please note the printers error "or" for "for" in line 3 also in date "31st" or "30th" October.—

The only point left for argument is your asking for 37 per cent in cash against my suggestion of 36½ per cent. The difference arises through your accepting the 6¼ per cent Bonds at 99 per cent instead of 100 per cent. It must be remembered that the discount of 1 per cent allowed last year to subscribers of the Loan was by way of some inducement, and it does not appear equitable for Government to now fix *the Cash Value* of the Bonds at 99. You will save a deal of criticism by accepting the Bonds at their face value. Besides, I am aware of some sales having been made at 100 per cent and such holders will obviously lose 1 per cent by conversion. I do not think Government need be alarmed at any rush for conversion but if you are fortunate to secure 40 lakhs so much the better for your finances.

If you are agreeable the necessary alterations as *shown in pencil* in your illustration will be required.

You will observe that I have suggested your announcing the acceptance of interest coupons at any Treasury of the Government in payment of dues to Government, or for credit of account in the Bank of Mysore, and also the delivery of the Bonds over the counter by the Bank at their Head Office in exchange for all cash subscriptions.

The matter of your accepting the Government of India 5½ per cent War Bonds for investment in the 6½ per cent Loan can be met in the manner now proposed by me, as I am prepared to accept such bonds as investments for the Bank.

PROPOSED AMENDMENTS AND ALTERATIONS OF TERMS OF LOANS NOS. 1 AND 2.

A. For insertion in the Abstract of the Loan Terms.

Bonds of the New Issue will be delivered over the Counter by the Bank of Mysore, Ltd., at their Head Office on receipt of cash subscriptions.

B. Proposed addendum to Term 2 or IV of 7 per cent Loan, and 3 or IV of 6½ per cent Loan.

"And will be accepted at their face value at any Government Treasury in payment of any dues payable to Government, and by the Bank of Mysore, Ltd., at any of its Branches or Agencies for credit of any account.

C. Proposed Term IX (c) of 6½ per cent Loan.

Mysore Government 6¼ per cent Bonds 1940 will be accepted at par as cash subscription to this loan provided an additional cash subscription of 36½ per cent of the face value of the bond tendered for conversion is paid, when bonds of this loan of the face value of Rs. 140 per cent will be delivered in exchange for such cash payment and surrender of the bonds tendered for conversion.

D. Proposed Term IX (d) of 6½ per cent Loan.

Government of India 5½ per cent War Bonds.—Arrangements have been made with the Bank of Mysore, Ltd., to accept any of the Government of India

5½ per cent War Bonds at par for investment of proceeds in the 6½ per cent Loan, and who will refund in cash to the holders of such loans the difference between the par value of the surrendered Bonds and the issue price, *viz.*, Rs. 2-8-0 per cent.

Letter No. 6208, dated 14th July 1921, from the Secretary to the Resident, to Sirdar Sir M. Kantaraj Urs, K. C. I. E., C. S. I., Dewan of Mysore.

With reference to your demi-official letter Camp No. A., dated the 24th May 1921, I

Serial No. 18. am directed to enclose for your information a copy of a telegram No. 1033-S., dated the 7th July 1921, from the Government of India in the Foreign and Political Department.

Copy of a telegram No. 1033 S., dated the 7th July 1921, from the Political Secretary to the Government of India, Foreign and Political Department, to the Resident in Mysore.

Please refer to your demi-official letter No. 5882, dated 1st July regarding Mysore Loan. The proposal to issue the Prospectus is approved by the Government of India who also accept your proposal contained in your letter No. 5050, dated the 9th June, *viz.*, after Government's Loan is closed to throw open Loan to outside public. Government Loan closes 30th July and the throwing open of the Loan should not be announced previously.

Letter No. Fl. 216, dated the 16th July 1921, from the Financial Secrteary, to the Manager, Bank of Mysore.

I am glad to tell you that we have received the Government of India sanction to throw open our loans to investors outside the State from 1st August next.

Serial No. 19. Accordingly subscriptions to the loans within and without the State can begin simultaneously. I am also glad to tell you that the terms of our loan have also been approved by the Government of India.

Now that we have authority to sell Bonds outside the State, I shall thank you for advice as to the Banks through whom we should arrange for this work. With the help of your Bank, we arranged for this work on the last occasion through the Eastern Bank and the National Bank of India. We had also made independent arrangements with the Bank of Bombay for accepting subscriptions at its Head Office and all its Branches in that Presidency. On this occasion, we have to cast our net wider and make, if possible, better arrangements by way of wider publicity and also by enlisting the help of other Banks, if possible, so that we may obtain a more satisfactory response than we were able to get from outside on the last occasion. Will you kindly correspond on behalf of Government, with the Banks to whom you would entrust the work and obtain from them, some estimate, however rough, of the quantities and denominations of Bonds they are likely to require for sale from 1st August next.

Now that we have the sanction of the Government of India you may tell them that Bonds will be sold outside the State also from 1st August 1921 and that interest on them is free from British Indian Income-tax.

Many thanks for your letter of yesterday in regard to the terms and conditions on which the Bank is willing to offer advances to the investing public. I hope to be able to address you shortly on the subject.

Letter No. Pol. 64, dated 21st July 1921, from the Financial Secretary, to the Secretary to the Resident.

I am directed to acknowledge the receipt of your letter No. 6208, dated the 14th July

Serial No. 19a. 1921, communicating a copy of the telegram received from the Government of India in regard to the Loan proposed to be floated by the Durbar. I am to request you to be so good as to move the Hon'ble the Resident to convey to the Government of India the thanks of the Durbar for having permitted them to accept subscriptions outside the State.

2. In this connection, I am to invite attention to the correspondence ending with letter No. Pol. 1301, dated the 28th June 1921 in which the Durbar have requested that exemption from British Indian Income-tax in respect of interest drawn on their bonds in British India may be notified in general terms so as to apply to all their loan issues — past and future. No reply has yet been received to the above communication but in the meantime it is necessary to make a definite statement in regard to British Indian Income-tax on the 7 per cent and 6½ per cent Loans which will be on offer from the 1st of August next. As the Government of India have permitted the acceptance of subscriptions to these Loans from subscribers outside the State and as the request of the Durbar in regard to the exemption is

an arrangement of reciprocity, the Durbar propose to notify in the Loan prospectus that interest on these two Loans if drawn in British India, is free of British Indian Income-tax.

3. The exemption from Stamp duty intimated in your letter No. 6091—135-20, dated the 9th July 1921, applies only to the 6½ per cent Loan of the Durbar. This is again an arrangement of reciprocity and it is necessary to assure outside investors that their interest receipts will be exempt from British Indian Stamp Duty. As in the case of income-tax, it is proposed to mention this exemption also in the Loan prospectus in regard to the new 7 per cent and 6½ per cent issues.

D. O. No. 6569, dated 25th July 1921, from the Residency, to the Financial Secretary to Government.

Serial No. 47.

I am desired to refer to your letter No. Pol. 64, dated the 21st July 1921, regarding the Mysore Loan. The orders of the Government of India have been called for urgently by telegram in regard to the questions raised in your letter and they will be communicated to the Durbar on receipt. But it is not advisable to make the announcements in question till the orders of the Government of India have been received and communicated to the Durbar.

No. 6749—135-1920, dated 29th July 1921, from the Secretary to the Resident, to the Financial Secretary to the Government of His Highness the Maharaja of Mysore.

Serial No. 47a.

With reference to your letter No. Pol: 64, dated the 21st July 1921, regarding the Mysore Loan, 1921, I am directed to state that the Government of India have been pleased to exempt from liability to income-tax interest paid to or received by persons in British India and from the payment of Stamp duty receipts granted for payment of interest in British India in respect of the loan which the Durbar contemplate floating this year. The necessary notifications will issue when the Loan has been actually floated.

Notification No. Fl. 98—G. F. 6-21, dated 9th July 1921, as revised in No. 585, dated 1st August 1921.

MYSORE GOVERNMENT LOANS, 1921.

PRINCIPAL AND INTEREST SECURED ON THE REVENUES AND ASSETS OF THE GOVERNMENT OF MYSORE.

Serial No. 48.

With the permission of the Government of India, the following Loans are thrown open for subscription throughout India.

Subscription for (1) ten-year 7 per cent Bonds, 1931, free of income-tax, and (2) twenty and thirty-year 6½ per cent Bonds, 1941-51, at issue price of 97½ per cent, free of income-tax, will be received from persons throughout India from 1st August to 31st October 1921 inclusive. Bonds of both issues will be delivered over the counter on receipt of cash subscription.

Terms of Loan No. (1).

2. i. *Interest.*—Interest at the rate of 7% per annum is payable half-yearly on the 1st of November and 1st of May. Advance interest at 7% per annum from the date of receipt of application to 31st October 1921 will be paid at the time of sale or delivery of Bonds. Interest will be paid at any Treasury in Mysore or in British India, at which payment is desired or at the Bank of Mysore.

Interest on the Bonds will be income-tax free throughout their currency, but will be taken into account in determining the rate at which the tax will be levied on other income. Interest on Bonds paid in British India will be free of British Indian Income-tax also and receipts for drawing such interest are exempt from British Indian Stamp duty.

ii. *Issue Price.*—The issue price will be Rs. 100 for every Rs. 100 of the Loan applied for.

iii. *Repayment.*—The Government of Mysore undertake to repay the Bonds at par on 1st November 1931 and to form a Sinking Fund for the purpose.

iv. *Form of Bonds.*—Bonds will be issued in the form of Promissory Notes transferable by endorsement, which may be exchanged for Stock Certificates.

v. *Denomination of Bonds.*—Bonds will be issued in denominations of Rs. 12-8-0, 25, 50, 100, 500, 1,000, 5,000 or multiples of Rs. 5,000.

vi. *Form of Application.*—Bonds may be purchased on application in Form A or B (separately supplied on requisition) according as the subscription is in cash or in bonds, or in any other form which states clearly all the particulars required in the printed form.

vii. *Purchase of Bonds and Method of payment.*—Bonds will be sold at and may be obtained on application to—

(*a*) any Treasury (District or Taluk) or office of Deputy Amildar in charge of Sub-Taluk in the State.

(*b*) the Headquarter Office or any branch of the Bank of Mysore, and

(*c*) (1) The Imperial Bank of India, Bombay and Madras and Branches.
(2) The National Bank of India, Bombay and Madras.
(3) The Eastern Bank, Bombay and Calcutta.
(4) The Alliance Bank of Simla, Bombay, Calcutta and Simla.
(5) The Central Bank of India, Bombay.
(6) The Mercantile Bank of India, Bombay and Madras.
(7) The Tata Industrial Bank, Bombay and Madras.
(8) The Bank of India, Bombay.
(9) The Indian Bank, Madras.
(10) The Chartered Bank of India, Australia and China, Madras.

The amount due may be paid in cash or by cheque drawn on any of the Banks mentioned above in favor of the Officer to whom applications and the issue price payable (cash or bonds) are tendered.

viii. *Subscription by withdrawal of Government Savings Bank Deposits.*—In the case of depositors in the Government Savings Banks, subscription to the Loan may be made by presenting withdrawal forms duly filled up together with Pass Books to the treasuries at which accounts are kept.

ix. *Subscription by tender of bonds.*—The following bonds of the Government of Mysore and the Government of India will be accepted at par as the equivalent of cash in subscription and Bonds of equal face value of this Loan will be issued in lieu thereof. Interest at the rates these bonds carry will be paid up to date of presentation of application along with advance interest, *vide* Term No. x *infra.*

Mysore Government.—4 per cent bonds repayable on 1st October 1921.

Government of India.—5½ per cent War bonds, 1921, 1922, 1923, 1925 or 1928.
6 per cent bonds, 1930, 1926 or 1931.

x. *Form of endorsing bonds tendered as subscription and procedure for obtaining the bonds applied for.*—Applicants who tender bonds in payment of subscription to this Loan should endorse them with the words "Pay to the Dewan of Mysore or order" over their signature and deliver them to the officer receiving the application who will give a temporary receipt. The Bonds applied for will be issued together with cheques for the advance interest due from date of receipt of application to 31st October 1921 *plus* interest accrued on the bonds tendered for conversion and exchange, on surrender on or after 1st December 1921 to the officers to whom applications are made of the temporary receipt duly signed as provided for therein.

Terms of Loan No. (2).

3. i. *Interest.*—Interest at the rate of 6½ per cent per annum is payable half-yearly on the 1st November and 1st of May. Advance interest at 6½ per cent per annum from date of receipt of application to 31st October 1921 will be paid at the time of sale or delivery of bonds. Interest will be paid at any Treasury in Mysore or in British India at which payment is desired or at the Bank of Mysore.

Interest on the Bonds will be income-tax free throughout their currency, but will be taken into account in determining the rate at which the tax will be levied on other income. Interest on Bonds paid in British India will be free of British Indian Income-tax also and receipts for drawing such interest are exempt from British Indian Stamp duty.

ii. *Issue Price.*—The issue price will be Rs. 97½ for every Rs. 100 of the Loan applied for.

iii. *Repayment.*—The Government of Mysore undertake to repay the Bonds at par on 1st November 1951 or at their option, on any earlier date after giving six months' notice but not before 1st November 1941. A Sinking Fund will be formed for the purpose.

iv. *Form of Bonds.*—Bonds will be issued in the form of Promissory Notes transferable by endorsement, which may be exchanged for Stock Certificates.

v. *Denomination of Bonds.*—Bonds will be issued in denominations of Rs. 12-8-0, 25, 50, 100, 500, 1,000, 5,000 or multiples of Rs. 5,000.

vi. *Form of application.*—Application should be in Form A or C (separately supplied on requisition) according as the subscription is entirely in cash or in bonds or in any other form which states clearly all the particulars required in the printed form.

vii. *Purchase of Bonds and Method of Payment.*—Bonds will be sold at and may be obtained on application to—

(*a*) any Treasury (District or Taluk) or office of Deputy Amildar in charge of Sub-Taluk in the State.

(*b*) the Headquarter Office or any branch of the Bank of Mysore, and

(*c*) (1) The Imperial Bank of India, Bombay and Madras and Branches.
(2) The National Bank of India, Bombay and Madras.
(3) The Eastern Bank, Bombay and Calcutta.
(4) The Alliance Bank of Simla, Bombay, Madras and Simla.
(5) The Central Bank of India, Bombay.
(6) The Mercantile Bank of India, Bombay.
(7) The Tata Industrial Bank, Bombay and Madras.
(8) The Bank of India, Bombay.
(9) The Indian Bank, Madras.
(10) The Chartered Bank of India, Australia and China, Madras.

The amount due may be paid in cash or by cheque drawn on any of the Banks mentioned above in favor of the Officer to whom applications and the issue price payble (cash or bonds) are tendered.

viii. *Subscription by withdrawal of Government Savings Bank Deposits.*—In the case of depositors in the Government Savings Banks, subscription to the Loan may be made by presenting withdrawal forms duly filled up together with the Pass Books to the treasuries at which accounts are kept.

ix. *Conversion of previous issues.* (*a*) Mysore Government 4 per cent bonds repayable on 1st October 1921, will be accepted at par and Bonds of equal face value of this loan will be issued in lieu thereof, the balance over the issue price of Rs. 97½ per cent, *i. e.*, Rs. 2½ per cent being refunded in cash at the time of delivery of bonds.

(*b*) Mysore Government 5½ per cent Conversion bonds, 1929-44, will be accepted in exchange for Bonds of equivalent face value of this Loan, *provided* an amount equal to 97½ per cent of the face value of the bonds tendered for conversion is paid in cash as additional subscription to the Loan.

(*c*) Mysore Government 6¼ bonds, 1940, will be accepted as subscription to this Loan *provided* an additional cash subscription of 87½ per cent of the face value of the bonds tendered for conversion is paid, when Bonds of this Loan of the face value of 140 per cent will be delivered in exchange for such cash payment and the bonds surrendered.

Illustration.—A wants to convert into this Loan a 6¼ per cent bond of the face value of Rs. 500. On surrender of the bond and on payment of cash of Rs. 87½,

i.e., Rs. $\frac{37\frac{1}{2} \times 500}{100}$ he will be given Bonds of this Loan of the face value of

Rs. 700, *i.e.*, Rs. $\frac{140 \times 500}{100}$.

In cases in which the face value of the Bonds to be delivered in exchange for bonds and cash tendered as above, is not equal to the amount of a Bond of any of the prescribed denominations, the balance to make up the issue price of the Bond applied for should also be paid in cash.

Note.—Interest at the rates these bonds carry will be paid up to date of presentation of application along with advance interest. *Vide* Term No. x *infra.*

x. *Form of endorsing bonds tendered as subscription and procedure for obtaining the Bonds applied for.*—Applicants who tender bonds of previous issues of the Government of Mysore in payment of subscription to this Loan should endorse them with the words "Pay to the Dewan of Mysore" over their signature and deliver them with the amount of cash, if any, payable (*vide* Terms No. ix (*b*) *and* (*c*) *supra*) to the Officer receiving the

application who will give a temporary receipt. The Bonds applied for will be issued together with cheques for advance interest due from date of receipt of application to 31st October 1921 *plus* accrued interest on the bonds tendered for conversion to date of presentation of application *plus* amount to be refunded under Term No. ix (*a*) *supra*, on surrender on or after 1st December 1921 to the officers to whom applications are made, of the temporary receipt duly signed as provided for therein.

4. *Tender of Government of India* 5½ per cent *War Bonds.*—Arrangements have been made with the Bank of Mysore to accept the Government of India 5½ per cent War Bonds at par for investment of the proceeds in this Loan ; and the Bank will refund in cash to the tenderers of such bonds the difference between the par value of the surrendered bonds and the issue price of this Loan, *viz.*, Rs. 2½ per cent.

Brokerage.—Brokerage at ¼ will be paid to recognised Bankers and Brokers on applications for Bonds bearing their stamps.

By Order,

M. N. KRISHNA RAO,
Financial Secretary to Government.

Letter No. 8910—Enclos. 135-1920, dated Bangalore, 12th October 1921, from the Secretary to the Resident in Mysore, to the Financial Secretary to the Government of His Highness the Maharaja of Mysore.

I am directed to refer to my letter No. 6749, dated the 29th July 1921, and to forward a copy of the notifications of the Government of India cited in the margin, exempting from liability to income-tax interest paid to or received by persons in British India and from the payment of stamp duty receipts granted for payment of interest in British India in respect of the loan.

Finance Department Notification No. 2529—F., dated the 7th September 1921.
Commerce Department Notification No. 1946—S., dated the 17th September 1921.

No. 2529-F, Government of India, Finance Department, Simla, the 7th September 1921.

Separate Revenue Income-tax.

NOTIFICATION.

In exercise of the power conferred by Section 44 of the Indian Income-tax Act, 1918 (VII of 1918), the Governor-General in Council is pleased to exempt from liability to the tax payable under the said Act interest paid to, or received by, persons to whom the said Act applies on the securities of the Mysore Durbar specified below:—

Ten-year 7 per cent Income-tax Free Bonds of 1921. Twenty to thirty-year 6½ per cent, Income-tax Free Bonds of 1921.

R. F. SIRN,
Joint Secretary to the Government of India.

No. 1946-S, Government of India, Department of Commerce, Simla, the 17th September 1921.

NOTIFICATION (STAMPS).

In exercise of the powers conferred by clause (*a*) of Section 9 of the Indian Stamp Act, 1899 (11 of 1899) the Governor-General in Council is pleased to remit the duty chargeable under Article 53 of Schedule I to the said Act, on receipts given for interest paid in British India on the securities of the Mysore Durbar specified below:—

Ten-year 7 per cent Income-tax Free Bonds of 1921. Twenty to thirty-year 6½ per cent Income-tax Free Bonds of 1921.

E. C. ENSORGE,
Deputy Secretary to the Government of India.

PART II.

FLOATATION OF A STERLING LOAN.

It is doubtful if we shall be able to successfully float a loan of a crore and a half in Mysore or in British India. Our Capital commitments are heavy and it should be our object by resort to whatever means, to complete the works now under construction as early as possible. This position has made me think of a sterling loan.

2. It seems to me that the conditions are now favourable for floating a loan in the London market. The foreign exchange rate is about 1*sh.* 3*d.* and we shall get about Rs. 16 for every pound that we may borrow there. The 7 per cent loan of 7½ millions sterling of the Government of India recently placed on that market has been an unqualified success and the whole of it was subscribed in a few hours. Of late several foreign loans have been floated in London and I understand from the times dated the 20th April 1921 that the Ceylon Government is contemplating the raising of a loan there in the near future.

3. The rate that the Government of India allowed for their recent sterling loan was 7 per cent and considering the present value of money, the urgency of our need and the risks of failure, we can well pay the same rate. The loan may be a terminable loan as in the case of that of the Government of India and it might have a currency of five to ten years. It might be issued at par and repaid also at par. I mention these terms as tentative proposals and if it is decided to borrow in London, we have of course to take the advice of competent authorities in regard to the terms to be offered, considering the conditions expected to prevail in the London market at the time our loan may be floated.

4. It is best to raise the loan through the Secretary of State and the Bank of England and we shall have to request the former to guarantee the payment of interest as well as the repayment of the loan. For interest, we can ask the Kolar Gold Mining Companies to pay to the Secretary of State in London such portion of our power revenue as will satisfy this demand. As for redemption of the loan, we can ask the Secretary of State to make use of the Sinking Fund which is being built up for the Sterling Railway Loan raised in 1886. This latter loan being a non-terminable one, no sinking fund is necessary for it and that intended for it may be diverted for the proposed terminable loan. The face value of the securities held to the credit of the Sinking Fund is about Rs. 114 lakhs and its cash value at the current rate may be taken at about Rs. 68 lakhs. The investment is yielding an annual return of about Rs. 4 lakhs and if the currency of the contemplated terminable loan is taken as ten years, the corpus of the Sinking Fund would amount to Rs. 108 lakhs, excluding interest on the annual interest additions. If we borrow one million pounds, sterling (£1,000,000) and if we assume the rate of exchange of 1*sh.* 4*d.*, we shall have to find less than Rs. 42 lakhs in ten years. We can ask the Gold Mining Companies to pay this Sinking Fund contribution also from our power revenues. With this assurance in regard to the payment of interest and the discharge of the loan, the Secretary of State may well help us now in floating a loan in London as he did in 1886.

5. We have asked the Government of India to replace the Sinking Fund at our disposal. According to the arrangement proposed above, the Fund need not be handed back to us and may be utilised by the Secretary of State for the loan which we now request him to raise for us.

6. The Government of India desire to place the sterling exchange value of the rupee at two shillings and even if they do not succeed in raising it so high, it is probable that the rate at the time the proposed loan will have to be repaid will be above 1*sh.* 4*d.* and in that event, we shall be able to discharge the loan with a less amount in rupees than that we shall realise for the loan which we may raise now, when the exchange is below 1*sh.* 4*d.* Even if the exchange rate will not be above 1*sh.* 4*d.* when our proposed loan will have to be repaid, it is improbable that the rate will be less than that prevailing at the time the loan is floated and the exchange factor is unlikely to be against us in repaying the debt.

7. If the idea of a sterling loan is approved, it seems to me that it would be advisable to consult Mr. Dalal and then approach the Government of India, if possible direct, and not through the Residency, the disposition of which towards our financial questions has, of late, been far from helpful.

8. If the urgency of our need for money and the purpose for which it is intended are explained to the Government of India, I believe, we can count upon their assistance, and the representation is best made in person to authorities of that Government.

M. N. K.

29-5-1921.

The 7 per cent and 6½ per cent State Loans of 1921.

This matter was considered in Council at yesterday's meeting. In addition to Mr. Dalal, Mr. Rose may be consulted and the file circulated for the information of the members of Council.

M. K.
10-6-1921.

I have addressed Mr. Rose. I herewith put up the draft of a letter to Mr. Dalal. The file has been circulated to Members of Council as ordered.

M. N. K.
11-6-1921.

D. O. as revised by the Dewan has been issued.

We have heard from Messrs. Dalal and Rose. Their replies are placed in the file. Both of them consider that the proposal of raising a sterling loan is feasible. Mr. Dalal, the best informed authority about exchange, states that from the exchange point of view, a sterling loan raised now is practically riskless. Mr. Rose is of the same opinion and states that the "fear of loss on exchange at the time of redemption of the loan is nil."

Mr. Dalal states that if the stock-holders have been given any promise for maintaining a Sinking Fund, the securities of the Fund cannot be touched. The loan was raised in 1886 while the Sinking Fund was formed in 1900 and my previous notes in the linked file explain how there can have been no promise of the kind referred to by Mr. Dalal.

Mr. Dalal is of opinion that if it is not possible to float a sterling loan in London, we may ask the Government of India to make over to us the Sinking Fund so that we may either pledge or sell its securities for meeting our capital demands. This was my original proposal and it was disallowed by the Government of India for reasons not communicated to us. I have all along been stating that the attitude of the Residency and the Government of India in this matter is unreasonable.

We are shortly announcing our Rupee Loan and offering for it such terms as may induce a fair response to it. It is difficult to form any reliable forecast of the amount we are likely to receive. Even if the Rupee Loan is fully successful, it is well to pursue the Sterling Loan proposal, as it is part of that proposal to establish our right to the utilization of the Sinking Fund at our option, in the event of need.

In his letter Mr. Dalal tells us that he is leaving for London on the 20th August 1921 and it seems to me that we cannot get a better agent to represent our case to the authorities of the India Office. It would be well to request him to interview on our behalf and as our agent the authorities of the Government of India and of the India Office whose permission is necessary for the replacement of the Sinking Fund at our disposal. I believe Mr. Dalal's words will carry weight both with the Viceroy and the Secretary of State.

I put up a draft thanking Mr. Dalal for his advice.

M. N. K.
24-6-1921.

We have to do this with care and caution so that we may not be misunderstood.

M. K.
29-6-1921.

Draft approved by Dewan has been issued.

B. S.
25-6-1921.

Submitted to His Highness.

While submitting the draft Budget Estimates for 1921-22, I stated that the Financial Secretary had proposed a Sterling Loan to be raised in London and that a separate report on the proposal would be made in due course. The Financial Secretary's suggestion is explained in his note dated the 29th May 1921 and I consulted Mr. D. M. Dalal as to whether he considered the proposal to be feasible and advisable. Mr. Dalal states that "there ought to be no hesitation in developing the transaction." He is of the opinion that the proposal is practically riskless considered from the exchange point of view (*vide* his letter dated the 16th June 1921). Mr. Rose of the Mysore Bank is also of the same opinion (*vide* his letter of the 20th June 1921). Mr. Dalal adds that if it is not possible to raise a loan in London through the Secretary of State, we may ask the Government of India to replace at our disposal the Railway Sterling Loan Sinking

Fund itself so that we may borrow on or sell the securities of that Fund for meeting the demands of our capital works. This was the original proposal of the Financial Secretary and it was disallowed by the Government of India. In his note dated the 24th June 1921, the Financial Secretary suggests that a further representation may be made, if necessary, even to the Secretary of State so that our right to make use of the Sinking Fund when the need for such step arises, may be established.

M. KANTARAJ URS,
29-6-21.

Order.

K. R. W.
18-7-1921.

Letter No. D. O. 688, dated 13th June 1921, from the Dewan, to Dadiba Merwanjee Dalal, Esq., C.I.E.

In your letter of the 18th April 1921, you were kind enough to express your opinion in regard to the terms and prospects of the loan we propose to float.

Serial No. 1. You consider that there is no prospect of the Bombay market absorbing any part of our loan and that we have to appeal to the same clientele which came to our help on the last occasion. I do not feel quite confident if the local money market is capable of subscribing about a crore after having responded in full measure to our last loan which was closed only about eight months back. As money is wanted for productive works in progress, it has to be found for completing them and starting their operation stage. In these circumstances, I am considering the alternative of a sterling loan and shall feel obliged to you for advice about it.

You know that the recent sterling loan of the Government of India was over subscribed. Some of the terms of this loan have, no doubt, not been well received in India; but the floatation itself was a great success. I understand that a three million sterling loan has been or will shortly be raised in London by the Ceylon Government at 6 per cent and issued at 97. It seems to me that, if we could raise our loan in London, the risk of an inadequate response to a local Rupee Loan might be avoided. With proper guarantees for payment of interest and discharges of debt and with terms that are a sufficient attraction to investors, an issue on our behalf may be expected to meet with full response there.

The first point for consideration in regard to a sterling loan is, of course, the exchange factor about which there is no authority more competent than you to advise us. The exchange market is now favourable for remittances from London. The future course of exchange is, I believe, very uncertain and should it be, at the time of redemption of the loan, any rate between 1 *sh.* 4 *d.* and 2 *sh.* at which the Government of India desire to keep it if they can, even this factor will be in our favour. The contingency of the rate at the time of repayment of debt happening to be below that prevaling when the loan is raised, is, I believe, a very remote one. As regards the payment of periodical interest, we have some sterling revenues payable to us in London, which can be utilised for the purpose and fluctuations in exchange will not be a disturbing factor in respect of payment of interest.

The terms of the loan will have to be adapted to the conditions prevailing in London at the time when it is proposed to float it and on this point, it may be necessary to obtain the advice of an expert authority in London. Considering the terms of the recent sterling loan of the Government of India and of that of the Ceylon Government, perhaps the interest rate of 6½ per cent will do. As short-term loans still continue to be in favour, the currency of the loans may probably be fixed at ten years and the issue price at par.

The Mysore Government are building up a Sinking Fund for a non-terminable 4 per cent sterling loan raised in London in the year 1886 and not repayable before 1936 and repayable thereafter at their option. This fund is held mostly in the 3½ per cent Rupee Paper, the face value of which now stands at about Rs. 114 lakhs. The cash value of the holding may roughly be taken at about Rs. 70 lakhs. It is held on behalf of the Durbar by the Government of India who will be requested to permit its diversion to the redemption of the terminable loan now proposed to be floated instead of that of the non-terminable loan for which it is being accummulated. If one million pounds (£ 1,000,000) is the amount of the loan raised and if we assume the exchange rate of 1*sh.* 4*d.* a sum of about 40 lakhs would be required to be added to the Sinking Fund redeeming the debt and such sum can easily be provided in a period of ten years.

Both the amount of Rs. 40 lakhs required for the full provision towards the redemption of the loan as well as the sums for the payment of interest periodically can be arranged to be paid to the Secretary of State out of our sterling revenues. These revenues I may state, are payable by the Kolar Gold Mining Companies for electric power they take from us and the Companies can be asked to make over the amount to the Secretary of State in London.

With this assurance, the Secretary of State my raise for us a loan of a million pounds in the same way as he raised 7½ millions for his purposes.

In the circumstances I have stated above, kindly let me know if you consider the proposal feasible and advisable. I shall also thank you for any advice about the proposal and or any other alternative way of finding the money we require for our productive works, in he event of our attempt to float a rupee loan not being fully successful.

Letter dated 20th June 1921, from W. C. Rose, Esq., Manager, Bank of Mysore, to the Financial Secretary.

Serial No. 2.

I have read with interest your note containing a proposal for raising a sterling loan on the London market, and can see nothing against the transaction from a financial point of view. The guarantee offered is practically that of the Government of India and the rate is attractive. The fear of loss in exchange at the time of repayment of the Loan is nil. The only doubt in mind is whether the loan will be considered big enough by the London financiers to ensure free negotiability on the London Stock Exchange. I would naturally like to see you float your loan in India, and if you would publicly declare the same security for the loan which you propose to offer to the Secretary of State in exchange for his guarantee, you will, I am sure, secure all your financial requirements in this country at 6¼ per cent per annum.

Letter dated 16th June 1921, from Dadiba Merwanjee Dalal, Esq., C.I.E., to the Dewan.

Serial No. 3.

I beg to acknowledge receipt of your letter, dated Mysore, 12th June in which you refer to the difficulty in raising a Rupee Loan in Mysore territory this year and the consequent desirability of floating a sterling loan in London.

If the Secretary of State is agreeable to raising a loan of £1,000,000 on behalf of your State there ought to be no hesitation in developing the transaction.

From the exchange point of view a sterling loan raised at the moment is practically riskless, because you will be getting approximately Rs. 15 to the pound, a rate which does not appear to involve any risk at the time of reimbursement.

In so far as you have to receive in London from the Kolar Gold Mining Companies sterling payments, this will help you to pay the interest on your loan and may be even employed for gradually repurchasing the security in the London market if your Government feels disposed.

When you correspond with the Secretary of State you will have to make inquiries about the Stamp duty to be paid by your State at the time of raising the loan.

At the present juncture it cannot be said at what rate you will be able to borrow in London. Rather than stop the works now in progress you should take the loan from the London market even at a full rate.

In case the Secretary of State is unwilling to raise for you a sterling loan in London, then please arrange that you can pledge the Rs. 114 lakhs of 3½ per cent Government paper now held in the Sinking Fund in India and that you should be further entitled to dispose it of in the market by outright sale if you feel so inclined. If you have given to the holders of the 4 per cent non-terminable sterling loan a promise to maintain the Sinking Fund, then I am afraid these securities could not be touched.

If the Government of India is agreeable to your selling or pledging the Rs. 114 lakhs of 3½ per cent Government paper, which you value roughly at Rs. 70 lakhs, then you can easily attempt to raise a 30 lakh Rupee Loan from the people of Mysore to make up the crore.

In case the sterling loan business is put through, then I would like your Government to direct the Imperial Bank of India, Bombay Office, to bring out the funds from London by sale of telegraphic transfers and the Bank should be requested to employ my firm as Brokers.

In case you want to sell or pledge the Rs. 114 lakhs Rupee Paper, my firm can easily assist you in the matter.

I contemplate leaving for London on 20th August, so if you have any communication to make after that date kindly address it to Messrs. Merwanjee & Sons, or you can write to me at 56, Belsize-Avenue, Hampstead, London, N. W. 3.

Letter No. D. O. 708, dated 25th June 1921, to Dadiba Merwanjee Dalal, Esq., C. I. E., Apollo Street, Fort, Bombay, from the Dewan.

Serial No. 4.

I have received your kind letter of the 16th instant and am highly obliged to you for your very valuable advice. I am glad you consider the proposals for raising a sterling loan feasible. We are shortly announcing a Rupee Loan and it remains to be seen what response there will be to our appeal. If the need arises for using the Sinking Fund referred to in my previous letter directly by pledging or selling its securities as recommended by you or indirectly as a Sinking Fund for a new loan to be raised in London, I may have to trouble you again and shall write to you in due course.

Again thanking you for your kindness.

WD 1542--GPB—100—23-7-23

NOTIFICATION.

No. Fl. 98—G. F. 6-21-4, dated 9th July 1921, as revised in No. 585, dated 1st August 1921.

MYSORE GOVERNMENT LOANS, 1921.

Principal and Interest secured on the Revenues and Assets of the Government of Mysore.

With the permission of the Government of India, the Loans are thrown open for subscription throughout India.

Subscription for (1) 10 year, 7 per cent Bonds, 1931, free of income-tax, and (2) 20-30 year, 6½ per cent Bonds, 1941-51, at issue price of 97½ per cent, free of income-tax, will be received from persons throughout India from 1st August to 31st October 1921 inclusive. Bonds of both Issues will be delivered over the counter on receipt of cash subscription.

Terms of Loan No. (1).

2. i. *Interest.*—Interest at the rate of 7 % per annum is payable half-yearly on the 1st of November and 1st of May. Advance interest at 7 % per annum from the date of receipt of application to 31st October 1921 will be paid at the time of sale or delivery of Bonds. Interest will be paid at any Treasury in Mysore or in British India, at which payment is desired or at the Bank of Mysore.

Interest on the Bonds will be income-tax free throughout their currency, but will be taken into account in determining the rate at which the tax will be levied on other income. Interest on Bonds paid in British India will be free of British Indian Income-tax also and receipts for drawing such interest are exempt from British Indian Stamp duty.

ii *Issue Price.*—The issue price will be Rs. 100 for every Rs. 100 of the Loan applied for.

iii. *Repayment.*—The Government of Mysore undertake to repay the Bonds at par on 1st November 1931 and to form a Sinking Fund for the purpose.

iv. *Form of Bonds.*—Bonds will be issued in the form of Promissory Notes transferable by endorsement, which may be exchanged for Stock Certificates.

v. *Denomination of Bonds.*—Bonds will be issued in denominations of Rs. 12-8-0, Rs. 25, 50, 100, 500, 1000, 5000 or multiplies of Rs. 5000.

vi. *Form of Application.*—Bonds may be purchased on application in Form A or B (separately supplied on requisition) according as the subscription is in cash or in bonds, or in any other form which states clearly all the particulars required in the printed form.

vii. *Purchase of Bonds and Method of payment.*—Bonds will be sold at and may be obtained on application to—

(*a*) any Treasury (District or Taluk) or office of Deputy Amildar in charge of Sub-Taluk in the State,

(*b*) the Headquarter Office or any branch of the Bank of Mysore,

and (*c*) (1) The Imperial Bank of India, Calcutta Bombay and Madras and Branches.

(2) The National Bank of India, Bombay and Madras.

(3) The Eastern Bank, Bombay and Calcutta.

(4) The Alliance Bank of Simla, Bombay, Calcutta Lucknow and Simla.

(5) The Central Bank of India, Bombay.

(6) The Mercantile Bank of India, Bombay and Madras.

(7) The Tata Industrial Bank, Bombay, Hyderabad and Madras.

(8) The Bank of India, Bombay.

(9) The Indian Bank, Madras.

(10) The Chartered Bank of India, Australia and China, Madras.

(11) The Calcutta Industrial Bank, Calcutta.

(12) The P. and O. Banking Corporation Calcutta, Bombay, Karachi and Madras.

(13) The Allahabad Bank, Allahabad, Bombay and Calcutta.

The amount due may be paid in cash or by cheque drawn on any of the Banks mentioned above in favor of the Officer to whom applications and the issue price payable (cash or bonds) are tendered.

viii. *Subscription by withdrawal of Government Savings Bank Deposits.*—In the case of depositors in the Government Savings Banks, subscription to the Loan may be made by presenting withdrawal forms duly filled up together with Pass Books to the Treasuries at which accounts are kept.

ix. *Subscription by tender of bonds.*—The following bonds of the Government of Mysore and the Government of India will be accepted at par as the equivalent of cash in subscription and Bonds of equal face value of this Loan will be issued in lieu thereof. Interest at the rates these bonds carry will be paid up to date of presentation of application along with advance interest *vide* Term No. x *infra*.

Mysore Government.—4 per cent bonds repayable on 1st October 192'.

Government of India.—5½ per cent War bonds, 1921, 1922, 1923, 1925, or 1928.
6 per cent bonds, 1930, 1926, or 1931.

x. *Form of endorsing bonds tendered as subscription and procedure for obtaining the bonds applied for.*—Applicants who tender bonds in payment of subscription to this Loan should endorse them with the words "Pay to the Dewan of Mysore or order" over their signature and deliver them to the officer receiving the application who will give a temporary receipt. The Bonds applied for will be issued together with cheques for the advance interest due from date of receipt of application to 31st October 1921 *plus* interest accrued on the bonds tendered for conversion and exchange, on surrender on or after 1st December 1921 to the officers to whom applications are made of the temporary receipt duly signed as provided for therein.

Terms of Loan No. (2).

3. i. *Interest.*—Interest at the rate of 6½ per cent per annum is payable half-yearly on the 1st of November and 1st of May. Advance interest at 6½ per cent per annum from date of receipt of application to 31st October 1921 will be paid at the time of sale or delivery of Bonds. Interest will be paid at any Treasury in Mysore or in British India at which payment is desired or at the Bank of Mysore.

Interest on the Bonds will be income-tax free throughout their currency, but will be taken into account in determining the rate at which the tax will be levied on other income. Interest on Bonds paid in British India will be free of British Indian Income-tax also and receipts for drawing such interest are exempt from British Indian Stamp duty.

ii *Issue Price.*—The issue price will be Rs. 97½ for every Rs. 100 of the Loan applied for.

iii. *Repayment.*—The Government of Mysore undertake to repay the Bonds at par on 1st November 1951 or at their option, on any earlier date after giving six months' notice but not before 1st November 1941. A Sinking Fund will be formed for the purpose.

iv. *Form of Bonds.*—Bonds will be issued in the form of Promissory Notes transferable by endorsement, which may be exchanged for Stock Certificates.

v. *Denomination of Bonds.*—Bonds will be issued in denominations of Rs. 12-8-0, Rs. 25, 50, 100, 500, 1000, 5000 or multiples of Rs. 5000.

vi. *Form of application.*—Application should be in Form A or C (separately supplied on requisition) according as the subscription is entirely in cash or in bonds or in any other form which states clearly all the particulars required in the printed form.

vii. *Purchase of Bonds and Method of Payment.*—Bonds will be sold at and may be obtained on application to—

(*a*) any Treasury (District or Taluk) or office of Deputy Amildar in charge of Sub-Taluk in the State,

(*b*) the Headquarter Office or any branch of the Bank of Mysore,

and (*c*) (1) The Imperial Bank of India, Calcutta, Bombay and Madras and Branches.
(2) The National Bank of India, Bombay and Madras.
(3) The Eastern Bank, Bombay and Calcutta.
(4) The Alliance Bank of Simla, Bombay, Madras, Calcutta, Lucknow and Simla.
(5) The Central Bank of India, Bombay.
(6) The Mercantile Bank of India, Bombay.

(7) The Tata Industrial Bank, Bombay, Hyderabad and Madras.

(8) The Bank of India, Bombay.

(9) The Indian Bank, Madras.

(10) The Chartered Bank of India, Australia and China, Madras.

(11) The Calcutta Industrial Bank, Calcutta.

(12) The P. and O. Banking Corporation Calcutta, Bombay, Karachi and Madras.

(13) The Allahabad Bank, Allahabad, Bombay and Calcutta.

The amount due may be paid in cash or by cheque drawn on any of the Banks mentioned above in favor of the Officer to whom application and the issue price payable (cash or bonds) are tendered.

viii. *Subscription by withdrawal of Government Savings Bank Deposits.*—In the case of depositors in the Government Savings Banks, subscriptions to the Loan may be made by presenting withdrawal forms duly filled up together with Pass Books to the Treasuries at which accounts are kept.

ix. *Conversion of previous Issues.*—(*a*) Mysore Government 4% bonds repayable on 1st October 1921 will be accepted at par and Bonds of equal face value of this Loan will be issued in lieu thereof, the balance over the issue price of Rs. 97½ per cent, *i.e.*, Rs. 2½ per cent being refunded in cash at the time of delivery of Bonds.

(*b*) Mysore Government 5½% Conversion bonds, 1929-44, will be accepted in exchange for Bonds of equivalent face value of this Loan, *provided* an amount equal to 97½ per cent of the face value of the bonds tendered for conversion is paid in cash as additional subscription to the Loan.

(*c*) Mysore Government 6¼% bonds, 1940, will be accepted as subscription to this Loan *provided* an additional cash subscription of 37½% of the face value of the bonds tendered for conversion is paid, when Bonds of this Loan of the face value of 140 per cent will be delivered in exchange for such cash payment and the bonds surrendered.

Illustration.—A wants to convert into this Loan a 6¼ per cent bond of the face value of Rs. 500. On surrender of the bond and on payment of cash of Rs. 187½ *i.e.*, $\left(\text{Rs. } \frac{37\frac{1}{2} \times 500}{100}\right)$ he will be given Bonds of this Loan of the face value of Rs. 700 *i.e.*, $\left(\frac{\text{Rs. } 140 \times 500}{100}\right)$.

In cases in which the face value of the Bonds to be delivered in exchange for bonds and cash tendered as above, is not equal to the amount of a Bond of any of the prescribed denominations, the balance to make up the issue price of the Bond applied for should also be paid in cash.

Note.—Interest at the rates these bonds carry will be paid up to date of presentation of application along with advance interest. *Vide* Term No. x *infra.*

x. *Form of endorsing bonds tendered as subscription and procedure for obtaining the Bonds applied for.*—Applicants who tender bonds of previous issues of the Government of Mysore in payment of subscription to this Loan should endorse them with the words "Pay to the Dewan of Mysore" over their signature and deliver them with the amount of cash, if any, payable *vide* Terms No. ix (*b*) *and* (*c*) *supra* to the officer receiving the application who will give a temporary receipt. The Bonds applied for will be issued together with cheques for advance interest due from date of receipt of application to 31st October 1921 *plus* accrued interest on the bonds tendered for conversion to date of presentation of application *plus* amount to be refunded under Term No. ix (*a*) *supra*, on surrender on or after 1st, December 1921 to the officers to whom applications are made, of the temporary receipt duly signed as provided for therein.

4. *Tender of Government of India* 5½% *War Bonds.*—Arrangements have been made with the Bank of Mysore, to accept the Government of India 5½% War Bonds at par for investment of the proceeds in this Loan; and the Bank will refund in cash to the tenderers of such bonds the difference between the par value of the surrendered bonds and the issue price of this Loan, *viz.*, Rs. 2½ per cent.

5. *Brokerage.*—Brokerage at ¼% will be paid to recognised Bankers and Brokers on applications for Bonds bearing their stamps.

By Order,

M. N. KRISHNA RAO,

Financial Secretary to Government.